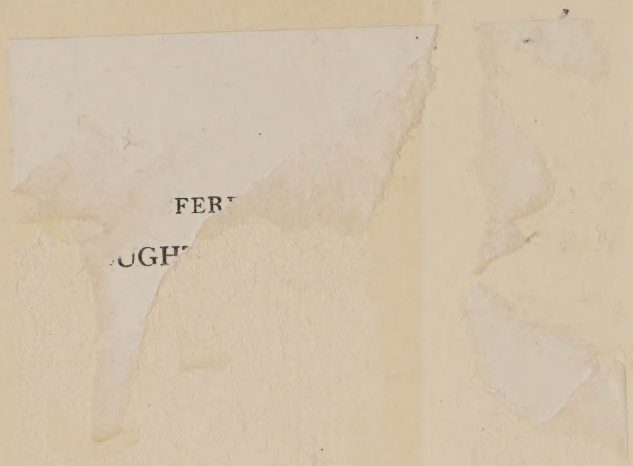

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ECONOMIC HERESIES

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BEING AN UNORTHODOX ATTEMPT TO APPRECIATE THE ECONOMIC PROBLEMS PRESENTED BY "THINGS AS THEY ARE."

BY

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BOSTON & NEW YORK
HOUGHTON MIFFLIN COMPANY
1909

PREFACE

I HAD proposed to borrow for the title of this book Mr. Kipling's phrase which it is too late to remove from the headings. It seemed that by the use of these words I could most aptly indicate the real purpose of these chapters, which is to endeavour to oppose an analysis and appreciation of the actual reality of the working of the economic processes of civilization, "Things as they are"; in the first place, to the abstract conception of "Things as they have been imagined to be" by the theoretical economists of the nineteenth century; and then, again, to the Utopian ideals of "Things as they ought to be," as preached by the Socialists of the twentieth.

At the last moment I have been apprised that the title proposed was appropriated by a lady who wrote under it in 1903 a work describing her missionary experiences, and it has been deemed more courteous and more expedient to find an alternative title; and as these chapters are informed with a somewhat sceptical spirit, the present title has been adopted for the cover and title-page.

My heresy consists in agreeing with the Socialists that the formulæ deduced by orthodox economists are inadequate to afford a satisfactory explanation of the observed phenomena of civilization on its economic side, and that the efforts of society to bring about a better state of things must not be hampered by an unquestioning acquiescence in a body of dogma deduced from imperfect observation of some of the facts attending a bygone and rudimentary stage in the economic history of the world. But I differ entirely from them when they seek to erect into a new creed of Collectivism a conflicting set of doctrines equally dogmatic and still more devoid of the foundation of actual observation and experience.

I have attempted to show that all economic phenomena whatever are essentially ephemeral and subject to a vast multiplicity of causes, themselves ever changing and varying from time to time and from place to place; and that therefore this is a branch of knowledge in respect of which general axioms and first principles cannot be accurately or implicitly applied, and must only be accepted provisionally and guardedly.

On the other hand, my attitude towards the professors of the more modern school of social therapeutics, while not unsympathetic, is equally distrustful; for reasons which will be found fully indicated in Chapters XVIII.—XXI. inclusive, and which it is unnecessary to anticipate.

But the world realizes more and more every day that all its component societies are compelled to face the necessity of dealing with a series of problems, on the successful solution of which depends the progress of their civilization; which consists in the amelioration of the conditions of life in each society and in each of its constituent classes.

Moreover, it is getting clearer day by day, that the solution has to be undertaken by each society or nation for itself, and that the progress of general civilization depends on the application of no universal specific for all mankind, but must be attained as the result and outcome of the separate more or less conflicting efforts of all, each for itself. For each nation must work and strive for its own salvation independently of the interests of "humanity at large." On the other hand, no effort of any one of the nations can be without its own series of results both immediate and indirect on the welfare and progress of the others. That is the statement of the world problem in its widest aspect.

My justification for publishing this book is that it attempts the presentation in a form as untechnical as possible, of the actual facts of modern economic phenomena as they are really seen and known to exist, from a completely impartial, and as Emerson called it "unpolarized" point of view, but with the purpose of suggesting thoughts which may help in the solution of these actual and practical questions in so far as they concern the welfare of the people of my own country.

In attempting this, I have declined to take for granted any so-called "principle" of the "political economy" of the last century; a science which a thoughtful writer * has aptly characterised as "a mass of ideas that has now not so much been examined and refuted, as slipped away imperceptibly from its hold upon the minds of men."

The reasons of the decline of the authority of that system of thought are not far to seek. Its abstract deductions, true for the most part, as far as they go, in respect of certain sets of the tendencies underlying economic phenomena, were presented with

* H. G. Wells in "New Worlds for Old."

an overbearing dogmatism as an infallible code of "laws" of universal application, in obedience to which can be ascertained and predicted for all time the true sequence and interdependence of all economic phenomena whatever. The professors of the science still claim, though with a daily diminishing acquiescence, that their scanty abstract formulæ suffice to enable them to analyse the immensely complex concrete facts of modern economic experience; and this claim is being daily and palpably refuted by the perverse refusal of facts to conform to their theories. It is not that many of the tendencies which they (for the most part truly) discerned and erected into determining "laws" were not fairly accurately stated; but that it is obvious in these days, that these were but a fragment of the many causes at work on human wills and actions; that other and unnoted tendencies are everywhere in conflict with them; and that events are and must be the result of the action of all together, on the economic structure of the whole world.

So it comes about that in respect of the most instant and momentous controversies of the day in this country, especially those indicated by the words "Free Trade" and "Tariff Reform" and "Individualism" and "Socialism," which are in truth but so many special statements of the one overwhelming problem of worklessness and poverty, disputants recognise no common authority; and deftly manipulated statistics afford but scanty assistance.

I have ventured to think that something may be achieved by an attempt to restate the facts as they are, from the point of view of a person starting with no conscious prepossession in favour of either side in any of the controversies, but desirous of reasoning the whole matter out for himself. Assuredly there are many others equally desirous of forming impartial judgments on these immensely vital questions, and it is to these that I venture to address myself. Dogmatists and heated partizans will find nothing in the book that will not be distasteful to them.

To a person who has been absent from England for many years, political prejudices and economic orthodoxies appeal but feebly. And it will be seen that to either side of these great controversies, the solution of which is apparently the main political task of this country in the present century, I can give but a hesitating and uncertain assent. In many respects the adherents of each seem to me alternately right and wrong. And while on balance, the conclusions of expediency appear as indicated in the

ninth and following chapters respectively, there is assuredly no room for anything like a passionate or intolerant partizanship in respect of any of them.

These more vital chapters unfortunately have had to be preceded by the earlier part of the book, which aims at stating the realities of things as they are and as they are known to be. For it is only by means of such a survey that it is possible to arrive at any insight into the real conditions of the problems which have to be solved. For the inevitable consequent dulness of the earlier chapters therefore I express regret, but do not apologize.

Reference is made in places to appropriate passages in "text-books," not at all by way of authority, but simply as directing attention to what has been written in respect of each subject by the doctors of the orthodox "political economy."

At their best the chapters can only claim the place of a preliminary sketch; a series of rudimentary prolegomena. But it by no means follows that they are unconnected with each other; for above all things I have tried to bring out the conclusion that the entire series of economic phenomena is intricately interdependent; so much so that it is impossible to isolate any one from any other aspect of the economic workings of society. And the general drift of the whole work is that these, on the whole, are equally interwoven with political and ethical considerations, and from the point of view of practical expediency cannot be dissociated from them.

The essentially rudimentary and preliminary character of this book renders it inadvisable to load it with any but passing and incidental references to statistical data—figures which import their own peculiar danger of deception, arising from the inveterate fallacy of enumerating together in one column things and facts essentially and generically different and incommensurable. Such figures as have been given, however, have been very carefully verified.

The book has taken thirteen months to write; which will account for certain very recent developments being spoken of with anticipation in the earlier chapters, and referred to in the later as having actually occurred.

NATHANIEL NATHAN.

St. James' Court,
9th February, 1909.

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ECONOMIC HERESIES

CHAPTER I

PRELIMINARY

The first essential of inductive science is parcimony of axiom. Nothing should be assumed except what is on the one hand either of the nature of a truly identical proposition, *i.e.*, involved in the wording of its definitions; or on the other, in itself capable of demonstration; a proposition the proof of which in the particular treatise would inconveniently cumber it with considerations alien to its direct purpose; and which must, when necessary, be assumed, but only provisionally.

It is to this extent that it is proposed to assume one axiom or postulate, and one only, which is that the continuance and progress of the complex and intricate process of development of human institutions to which has been given the general name of "civilization" is in itself desirable in the interests of mankind, in preference to any retrogression towards the simpler mode of existence known as "barbarism." This position has not been universally admitted. Indeed one writer * has distinguished himself by categorically denying it; while a latent and less plainly expressed antagonism to civilization lies behind much of the doctrine of a series of thinkers of the particular psychical diathesis known as "romantic," from Rousseau to Ruskin. But for the purpose of economics, the assumption of the beneficence of civilization is inevitable. For this is essentially a scientific study of civilization in its material aspect, and would be futile, were it not assumed that the investigation conduces to a better knowledge of something useful to mankind. It is on this assumption only that it is worth while to ascertain

* Edward Carpenter, "Civilization: Its Cause and Cure."

on what material foundations civilization rests, and by what means its progress may be furthered and its permanence assured.

By no means exclusively (for ethical and religious conceptions are still more fundamental), but on its material and economic side, civilization depends on the development of the processes of production and distribution of what is commonly called "Wealth," the observed sequences of which are the subject-matter of the science of economics. Other and more vital human developments must concur to produce a beneficial civilization. And it is an open question whether the industrial civilization of to-day, based entirely on economic and commercial considerations, recognizing nothing but what has been termed the "cash nexus" between men striving against each other for individual enrichment, is the best. Many forms of civilization of varying completeness have succeeded each other on the surface of the planet. And indeed several actually now co-exist, in some of which a far less degree of beneficence and importance is ascribed to the virtues of competitive evolution than in others.*

Enough has been quoted to indicate that there is something to be said in support of the thesis that the Western civilization of the twentieth century is not without its weak points. Anyhow it seems that ours is not the only conceivable model on which man can build institutions by means of which to escape from savagery. The demonstration that some organization of society is desirable cannot here be undertaken; therefore it is that for

* As dealing with this point the writer ventures to quote a passage from a booklet published in New York in 1904, "Letters from a Chinese Official." The author, Mr. Lowes Dickinson, who is not by any means a Chinese person, almost verbally reproduces, in a telling form, certain arguments which in Tientsin in 1907 were enunciated to the present writer by a well-known Chinese gentleman, formerly an official of the Imperial Government, who had had occasion to visit England a year or so previously. Mr. Dickinson advances, in the assumed guise of an "ex-mandarin," considerations tending to a conclusion much opposed to the "industrialism of the West," which he represents his "Chinese official" as contemptuously depreciating.

"Our civilization is the oldest in the world. It does not follow that it is the best; but neither, I submit, does it follow that it is the worst. On the contrary, such antiquity is at any rate a proof that our institutions have guaranteed to us a stability for which we search in vain among the nations of Europe. But not only is our civilization stable, it also embodies, as we think, a moral order; while in yours we detect only an economic chaos. Whether your religion is better than ours, I do not at present dispute; but it is certain that it has less influence on your society. You profess Christianity, but your civilization has never been Christian; whereas ours is Confucian through and through. But to say that it is Confucian is to say that it is moral, or at least (for I do not wish to beg the question) that moral relations are those which it primarily contemplates; whereas with you (so it seems to us) economic considerations come first, and upon these you endeavour afterward to graft as much morality as they will admit."

the purpose of these chapters it has to be provisionally assumed that some sort of civilization is in itself preferable to barbarism. But of no form can it be true that it is capable of being attained without the material foundation of the institution of "property,"* which derives from the processes of the production and distribution of wealth. This material foundation it is which is the subject of the study of the economist.

It does not appear necessary to start with any more precise definition of that which is to be sought for in economics ; it will be time enough to construct a definite teleology and seek knowledge of the objects to be sought and the means to attain them when some analysis of facts has been worked out and there has been deduced therefrom an intelligible body of sane doctrine. One of the preliminary questions which suggest themselves to a completely detached and impartial observer is whether in truth this has hitherto been done. The suggestion of the writer is that it has not.

The progress of the science up to now has been retarded by the great preponderance of *à priori* doctrine over the results of analysis. Men have started from the enunciation of "general principles" evolved from their own conceptions of what is "right" and "just" and "expedient" and "in the interests of mankind." In other words, they assume what they undertake to prove. The history of thought in the domains of ethics jurisprudence metaphysics and economics during the seventeenth and eighteenth and a great part of the nineteenth century, is a record of the rise and fall of successive "systems of philosophy," having little in common with each other but the dominant characteristic of being all equally based on an insufficient ascertainment and analysis of fact. Copiously supplied with "first principles," and destitute of the essential element of scientific observation, these four "sciences," all saturated with benevolence, have accomplished very little that has proved effective towards the development of civilization or the amelioration of the lot of man.

Till Austin arose and swept them together into the rubbish heap, "natural law," "the law of nature," "the law of nations," "the rights of man," "le contrat social," and the rest of the ambitious phantom general conceptions evolved by publicists and professors from their inner consciousness dominated the

* See *post*, p. 36.

entire field of jurisprudence. Austin made a new departure. Analysis, the study of the actual institutions of actual nations, of comparative law, of the records of ancient codes, of the working and results of actual legislation, and of concrete and actual phenomena of the present and the past, have taken the place of mystic *à priori* speculation; a true science of jurisprudence has arisen. For the sanification of "political economy" no Austin has appeared, if one may be permitted to say so while appreciating to the full the splendid work of Herbert Spencer. Economics have been and still are dominated by "first principles" and abstract generalizations therefrom.

The catchword invented by Bentham, "the greatest happiness of the greatest number," and the system of thought derived from its application, and christened "utilitarianism," presented themselves to English thinkers of the early nineteenth century in the light almost of a revelation, founding as it were a religion of obligation, and affording a sort of dogmatic basis for the study of economics. True to the principle of parcimony of assumption, the writer prefers to abstain from adopting this or any other *à priori* formula, either as an axiom or as a practical criterion of the beneficence of any particular institution law effort or tendency. Not but that the test of the fitness of any of these for the amelioration of the lot of mankind in general would be a very good one, were it only possible to apply it; but simply because it is one incapable of practical application. It is freely conceded that this motto of utilitarianism is distinctly on the side of good. It is not an empty phrase like the "Liberty, Equality, and Fraternity" which the late Sir J. F. Stephen so mercilessly dissected. It has this at least to recommend it, that it affirms the fundamental truth of the solidarity of mankind, and the duty of man to act in accordance with the dictates of benevolence and seek the good of his fellow-creatures. It lays down the guiding principles of brotherhood and human interdependence, which actually form the true justification of civilization. But there is no need to cumber a science with any unnecessary affirmation of general truth, least of all with one the form of affirmance of which has no specific meaning or practical applicability whatever. Neither Bentham nor any of his disciples have suggested how to estimate "happiness," how to compute the "greatest number," what degree of "happiness of the greatest number" is to be deemed

so relatively desirable as to outbalance the more poignant unhappiness of the smaller, whether the "greater number" means the greater number of mankind actually existing in the world or any particular part of it, and whether these are to be computed at a given moment, or the notion is to be stretched to include posterity, and, if so, to how remote a degree. The "greatest happiness" is a purely subjective notion of the thinker; an idea of what in his judgment "ought" to make men happy; and there has never been any attempt at a relative estimation of the various elements of happiness, material, corporeal, mental, ethical, æsthetic, and religious, or of the degree in which each of these enters or ought to be deemed to enter into the general conception of felicity. As a foundation for anything approaching a quantitative analysis, therefore, Bentham's criterion is futile to the point of absurdity. But it is on this as the main fundamental doctrine that the "political economy" of the nineteenth century was built up. As a general enunciation of the principle of benevolence, it is less telling and specious than the "Liberty, Equality, and Fraternity" aforesaid; and assuredly it is less impressive and effectual than the fine direct old-fashioned Hebrew injunction, "and thou shalt love thy neighbour as thyself." But such as it is, this sententious enunciation of a vague sentimental benevolence has been adopted as the keynote of an abstract science applied to an imaginary world.

"Political Economy" has been decried as a "dismal" science profiting no man. And of what Mr. Bagehot calls the "English political economy"* of the nineteenth century this reproach is not without its foundation. This is due to the unfortunate fact that Mill, the great writer and brilliant thinker who popularized and for English readers practically created the science of economics, unfortunately inherited this Benthamese religion, together with a mental constitution incorrigibly "endogenous" in its nature. Mill did not originate the doctrine by any means. His task was to make attractive and intelligible the dry abstractions which Ricardo had evolved from his conception of the fundamental doctrines of Adam Smith. The direct successor of an illustrious line of *d priori* thinkers, commencing with Hobbes and passing through Locke, Condillac, and Rousseau to Bentham and his own father in the early days of the nineteenth century, Mill in his "logic" theoretically followed Bacon (perhaps, as

* Walter Bagehot, "Economic Studies," c. I., p. 20.

Mr. Bagehot has pointed out, a little too far), and in his "Logic" recognized to the full the necessity of ascertainment, analysis, and induction as the foundation of knowledge. But he failed in practice to faithfully follow the inductive method which in theory he had so incisively insisted on. And indeed, at that time, actual observation, the groundwork for accurate induction, was hardly accessible for the purposes of economics. For nothing had ever been done towards the initial ascertainment of social phenomena. Like his predecessor Ricardo, Mill sought to construct a science, which of all branches of knowledge is the most absolutely dependent on the accurate appreciation of concrete and complex fact, by analysing conceptions in place of phenomena, and working out a series of abstract theorems from his own brilliant powers of reasoning, as if economics were a branch of mathematics of which he was occupied in writing the "Euclid's Elements." This great effort of constructive thought contains, it is true, references and illustrations drawn from what Mill could gather from the newspapers of the day and from an occasional pamphlet, with regard to such economic processes and phenomena as in those days of rudimentary industry and commerce were of common knowledge; but these were used by way of illustration only, and incidentally. His reasonings and conclusions are abstract and general throughout.

Ricardo well knew one particular detail of the natural history and evolution of Means (the main subject-matter of economics), the operation of acquisitiveness, which to him as a stockjobber naturally presented itself as the most potent of human motives. His conception of the real world honestly was, that it was peopled with inhabitants all of whom were incessantly occupied in making money by buying from and selling to each other, and who thought of nothing else. And he naturally deduced his conceptions of the laws affecting "Wealth" from what he had learned on the Stock Exchange, and reasoning from his own limited experience of the financial processes of a particular country at a particular time, and the workings of the acquisitiveness of mankind with which he was so familiar, found it easy to generalize, and contrived to persuade himself of the actual truth of many abstract propositions, among others the theory of the "Wages Fund," the most disastrous economic falsehood that has ever obtained. This at first imposed upon Mill, who, in the first edition of his work, gravely argued out the

economic thesis from Ricardo's notion that a definitely fixed and inelastic sum of money or its equivalent in actual commodities existed in each country, out of which in that country (conceived of for the purpose of simplicity as protected by an insurmountable wall against all influences from other countries) all "wages" had to be found. From this it seemed to follow that there must therefore, always, and in all the world (for the world in his way of putting it was a mere aggregate, not a combination, of the different countries in it), be an unlimited competition among the workers for sustenance out of that fund, or rather in each country out of its own particular "wages fund," because of the increasing number of would-be participants in each and the limitation of each to its own fund. These participants again, the reverend Mr. Malthus in his turn conceived of as tending to "increase in geometrical progression," whereas the fund was only capable of being increased "arithmetically," and was therefore in due course bound everywhere to become always insufficient. But the brilliant mind of Mr. Bagehot just avoided this trap.* The result of the combination of these two notions was the idea that the greater the population engaged in production, the less must be the share of each unit in the product, and that the population must necessarily increase everywhere progressively and indefinitely (which is quite untrue) and must also everywhere be exclusively "engaged in production"; (which is still further from the truth). Therefore it seemed to the "political economy" of the nineteenth century, which founded itself on the triple authority of Malthus, Ricardo, and Mill, that the greater the production in any branch of industry, the less would be the price paid as the wages of labour of each man engaged in that branch, and the less the relative share of the total "wealth" that each individual so engaged would be able to appropriate.

This idea is what to this day lies behind the blind efforts of labour to increase wages by a "limitation of production"—as suicidal a tendency as has ever been witnessed in operation. Though eventually he saw through and hesitatingly abandoned his insistence on these theories, Mill did not actually appreciate the need that their falsity involved of reconstructing his own system. He never fully realized how mistaken they all were, or how disastrous they must be if accepted by mankind, and did not see any necessity for authoritatively refuting them. Of all men,

* "Economic Studies," Malthus, p. 181.

that task was left to the Collectivist, Henry George, who effectually triturated the nonsense,* but whose sounder conceptions in their turn were (as will be shown hereafter) falsified by another mistake of premature generalization. But still the dregs of the doctrine continue to tinge and falsify thought, and it is identified in the general mind with what is commonly supposed to be the teaching of "political economy" and the outcome of "utilitarianism"; "dismal," therefore, in the extreme. And economics as a branch of knowledge has thus suffered more than anything from the exceptional intellectual gifts of its most illustrious exponent. For the notion of the "Wages Fund" and its inevitable corollary, which is that wages tend always to fall to the level of the minimum necessary for the bare subsistence of the millions of wage-earners, has been assimilated by the humbler classes and exploited to its fullest extent by those whose calling it is to trade on the hatreds of humanity.

With regard to another and, in its way, yet more fundamental thesis, the "theory of rent" is an almost equally unfortunate overstatement of insufficient induction which seems to have been handed on by Smith through Ricardo to Mill, and strenuously insisted on by him†—the over insistence, that is, on a law essentially true because it really is an identical proposition; the difficulty has arisen from the definition of rent itself. The "law of rent," which has been hailed as an almost divine revelation, but is just the simple truism that the owner of land gets the produce thereof less what it costs to cultivate it, or, put more pedantically, that the measure of rent is the difference in productivity of a given piece of land over and above the "least productive" land,‡ is by no means a fallacy like the "Wages Fund" theory; it is true as a tendency and in the long run, and its emphatic enunciation was once upon a time necessary to afford a correct insight into the nature of things as they *were*. But the run is a very long one. If for "a country" you substitute "the entire available surface of the planet," and if the sum total of the relative advantages to be derived from the occupation of the different parts of that surface (about as difficult a matter to analyse as can well be imagined) be looked at as the true criterion of comparative desirability, the theory is inexpugnably true.

* "Progress and Poverty," Book II., pp. 91—150.
† "Principles of Political Economy," Chap. XXI., § 3; Chap. XII., § 2.
‡ See *post*, Chap. IX., p. 160.

But, like the inspired dogma of Bentham, it is a theoretical criterion hopelessly inapplicable to the actual realities of things, indicating a true tendency, but affording no sort of insight into the degree in which that tendency has a practical effect in any particular instance. The countless reasons other than fertility for desiring the occupation of surface area in any locality are honestly and purposely put on one side by Mill in a premature endeavour to grasp at the enunciation of a general and universal rule. When he comes to his conclusion, he loses sight of the admittedly provisional and imperfect way in which the premisses have been limited, and of the fact that he has been really thinking of the agricultural productiveness of this or that county of England, while endeavouring to lay down rules which, if true, have to be sufficient to determine the relative desirability and therefore "value" and "rent" of all land the world over.

No doubt, if all the land in all the world could be subjected to an exhaustive analysis of its relative capacity in all respects for all the purposes for which surface space can be utilized, the "law" of rent would be absolutely and concretely true, and its application would (if it were possible accurately to estimate the essential conditions) furnish us with a criterion of rent, which is and always must be productiveness less cost of production; for, in the abstract, the so-called law is but a specific restatement applicable to land of the incontrovertible truth that value is but another name for desirability.* But, seeing that in all these respects human knowledge is even now in a most rudimentary stage, and was, when Mill wrote, practically mere nescience, and particularly, that the world is still many ages off the epoch when the progressive settlement and appropriation of its surface will have been so far completed, that the action of supply and demand will be fully applicable to space, and commence to have its ultimate normal efficiency; the concrete knowledge to be ascertained from the "law of diminishing returns" becomes a mere local and temporary experience, interesting to the company of a market ordinary in an English country town, but in respect of the world in general, and therefore of the world phenomena of the production and distribution of Wealth (which is what is produced from land by labour), a mere enunciation of one out of many sets of antecedents and sequences, not enabling one to predict how far that one of many tendencies will be effective in

* See *post*, p. 161.

controlling results, what will be its quantitative potency in determining the fluctuating movements in land values and the price of the hire of land which take place in the world. In spite of Mr. Malthus and Mr. Mill, even in this one tiny country of England there have been with a continuous increase of population successive increases and decreases in rent since the days when the theory was first propounded *ex cathedrâ*, and this fact affords a notable illustration of the prematureness of the conclusions of abstract political economy. These conclusions have not yet been brought into touch with actual concrete fact, and their most authoritative exponents have allowed themselves to be misled by doctrines—the above enumerated two in particular, and many others as well—which are not practically applicable.

Economics without the analysis of actual phenomena, metaphysics without psychology, ethics without religion;—in these three abstract futilities, it is vain to imagine that the average human mind, eager for real knowledge and indifferent to abstract demonstration, can feel a living interest. The ascertainment of fact makes no requirement on the intelligence of the student of pure mathematics; but in any other branch of knowledge the theory evolved from within is an inept ingenuity, and affords no light by which to illumine the way of the seeker. The "dismalness" of economics which is a consequence of this sterility is due in great degree also to the unfortunate coincidence that many of these abstract theories, especially those mentioned above, have a dreary outlook. They appear to warrant an absolute pessimism, the pessimism of Malthus, of Marx, and the "Nihilists"—the despairing belief in the progressive degradation of the great mass of mankind, to escape which, if the view were well-founded, resort should be had to desperate remedies, revolution and carnage if necessary.

Human misery is real and sad and dismal enough in all conscience. So far as we are at present able to see, all the wisdom of the legislator, all the co-operation of the philanthropist, struggle with but a glimmer of success in the effort to diminish it. There is reason to hope that it is slowly yielding to these, and that though much remains to be achieved, the foundations of a better state of things are being gradually built up. But to contemplate the steady and inevitable increase of misery under the pressure of a constantly growing population, ever competing for employment at an ever diminishing return

for its labour; the depopulation of the country and the terrible congestion of the city; the apparent tendency to the concentration of the material necessities and means of existence in fewer and fewer hands and in larger and larger wealth-masses; with its apparent correlative, the increasing luxury of the few, and the increasing misery of the many; in short, an apparent future of the general pauperization of the bulk of mankind, and the corruption and enervation of the few who emerge;—this is an intolerable vision. But it is the seemingly logical corollary of the two most striking doctrines of the "orthodox" political economy; and it is this above all which has made the science which is popularly supposed to warrant these terrible conclusions a "dismal" one.

And who shall dare to condemn, if these doctrines be true, those who passionately advocate extreme empirical or visionary remedies, even if they appear "confiscatory" or revolutionary? They point to the accepted conclusions of "political economy" as their justification. This despairing view originated long ago with those who first brought what has been called "romanticism" and "sentimentalism" to the task of social analysis, long before Ricardo formulated for them his apparent justification of their position. Impatience of the pedantries the corruptions and the intolerances of the eighteenth century in France moved the sentimental enthusiast Rousseau to his epoch-making revolt against what he imagined to be the world-civilization, but which was a mere temporary phenomenon of ignorance, evil government, aristocratic insolence, and the imperfect arrangements of society in a particular stage of growth in Western Europe. His passionate cry for what he supposed to be a reversion to the primitive simplicity of "natural man" was raised without any manner of knowledge of what "natural man," *i.e.*, the real savage "homo," was, did, or suffered; and the sentimentalists yearned for a "return" to an imaginary state of things the like of which never existed and never will exist on the surface of the planet. All this was not pessimism, but a sort of impatient inverted optimism. Rousseau had crowds of followers in his crusade against the artificiality of the eighteenth century in Western Europe, which he imagined to be the essential condition of modern civilization. The "natural man," possessed of all the virtues and "sensibilities," and shown decorously attired in a becoming garment of well-curried and artistically tailored furs,

the graceful centre of a well-trimmed landscape *à la* Watteau, became the fashion of the day, and cut a brave figure on the stage of literature, philosophy, and, oddly enough, of economics. And inasmuch as, for close on a century, neither actual observation of existing varieties of humanity in the early stages of civilization, nor research among the buried remains of primitive man, nor any real patient investigation of any sort was so much as dreamed of, as a method of ascertaining fact; it was deemed the legitimate prerogative of each philosopher jurist moralist and economist, to invent for himself his own "natural man," and indue him with such mental, moral, and economic virtues habits and qualities, as were necessary to support the particular thesis which the author favoured in his own particular branch of knowledge. In all such reasonings the unexpressed major premiss of each syllogism was, always, "whatever I think that the 'natural' man did, was wise and virtuous and right and divinely appointed, and it is the duty of all mankind to follow his example."

What the sentimentalist really finds fault with in civilization is that it has not yet arrived at its perfection. This is all impatient and discontented optimism, the impassioned revolt of the soul of man against the agony of the martyrdom of his fellow-creatures. It is a noble attitude of mind, when compared, for example, either with the fatuous optimism of Candide, to whom "all is for best in the best possible of worlds," or with the very analogous mode of thought that has its outcome in the cynically impotent catchword "laissez-faire," the doctrine which deliberately refuses to direct the organized forces of society to effect the amelioration of the lot of the citizen, for fear of impeding the action of some supposed beneficent process of evolution which the fanatical "evolutionist" imagines must, if uninterfered with, make for a better condition of existence. But not any more than either of these is it in any sort of relation to actual truth.

The intellect of Mill grasped, as he thought, the apparently obvious and simple potentialities of the nascent manufacturing industry of his day, which appeared to be mainly concentrated in certain parts of Britain alone. And tacitly, in those days, that part of the United Kingdom was complacently looked upon as the heaven-ordained eternal focus of manufacturing production for the civilized world. Now Mill did wonders, with the scanty materials at his command, in investigating the process of

the production of what he was fond of calling "commodities"; and to Ricardo and him we owe the formulation of the elementary theoretical economics of industry, founded on the thoughts of Adam Smith. Later economists for the most part contented themselves with reproducing these arguments, slightly modernized in form, but not materially modified in substance, and very complacently pointing out some of the more obvious of their mistakes. But now it is obvious even to the mere reader of newspapers, that the rudimentary conceptions of 1845 are not capable of solving the problems which confronted Bagehot in 1875, and are hopelessly incapable of grappling with the still more involved phenomena of 1907.

The emerging consideration from even the most cursory survey of the actual sources and actual production of commodities is this: that while communities still continue "national" by locality and language and sentiment and laws, and think of themselves, and rightly, as distinct and to some extent conflicting or at best competing entities, each cherishing its own mode of life, its own language and apparatus of thought, its own form of government, its own fit and proper selection of industries, its own laws and customs and social institutions; the processes of production and distribution have entirely outstepped the limits of empires. "Wealth"—that part of the wealth of man which consists of actual "commodities"—still more that accumulation of power for which (see next chapter) the writer proposes to adopt the word "Means";—both are in truth independent of locality and nationality. "Wealth" is an object of world-wide production and dissemination, without regard to the geographical limits of the country where one ingredient or another, or one finished commodity or another, has its origin, or to the nation or locality either of the people who originally produced or who will eventually absorb its results or appropriate the profits of its production. Instead of a little Lancashire turning out calico by the million on million of yards for the consumption of Europe, Asia, Africa, and America—that little Lancashire which the good Mr. Cobden pictured to himself as destined ever to progress in relative importance owing to the heaven-sent and perpetual inability of the rest of the globe ever to produce the like—we now find every spot on the face of the world setting up its spinning-mills and its weaving-sheds, wherever it thinks the requirements of a market indicate the probability of a modest and reasonable profit. In

like manner, wool was once looked on as the God-given monopoly of the soil of England. The man who would have dreamed in those days of questioning the divinely appointed justice and propriety of this arrangement, or the permanence or efficiency of the elaborate statutory precautions of the seventeenth century against interference with this British birthright of monopoly, would have fared ill at the hands of his patriotic fellow-countrymen; and in the happy days when Queen Victoria was a bride the same exclusively national and patriotic method of regarding national economic products obtained in every department of a puny and rudimentary organization of industry. Libraries could be written, if any one cared to undertake the labour, to illustrate the completeness of the revolution which modern conditions of production and transport have revealed to the minds of those who think for themselves on economic phenomena.

Among these many new truths, one stands out clearly, and that is, that, less by reason of any default or want of acuteness in the pioneers of the nascent science, than as a necessary consequence of the evolution and adoption of productive and commercial processes undreamt of in their day, and of a complete internationalization of industry and wealth-production, to them inconceivable; their conceptions of the actualities of economics are no longer in correspondence with fact, nor their deductions adequate to explain actual phenomena; and therefore that this chapter of the science of economics has to be rewritten from the beginning. What is needed for this twentieth century is to restate the conditions, and re-analyse them, in view of the actual ascertained concrete phenomena of civilization which are now, for the first time, emerging within our ken, and now for the first time analysis will have to be made quantitative, comprehending something of an ascertainment of the comparative values and weights of the many opposed tendencies actually at work in each case. When the actual facts in relation to the real economic process come to be thought out, real conclusions as to the antecedents and sequences observable and the relations between them, what are commonly called their "laws," may hereafter be deduced; and then it may be that some escape will appear both from the impatience of Utopian optimism and from the pessimistic conclusions which follow the application of mathematical deduction to the imaginary premisses of an abstract political economy. The following chapters form an

attempt to restate some of the actual facts known and observed, real phenomena of the production, distribution, and accumulation of what is commonly and unscientifically termed "Wealth," so as to give ground for arriving at a saner and more practical conclusion, and for cherishing hopes for the gradual solution of the undoubtedly formidable problems of civilization, which shall not require as a condition of regeneration the destruction and abandonment of all that has been achieved.

And these considerations and problems are inevitably approached by the present writer from the national British point of view; not that the conclusions of a general science can differ in different lands—to be true at all they must be true universally—and though in each locality their application is subject to local conditions, they cannot differ in principle, or even essentially, in practical application. In 1876 the late Mr. Bagehot * wrote of "English political economy" as a science in itself, deriving its validity from the completer analysis here than elsewhere of phenomena which were more observable in this country, and therefore here better appreciated. It seemed to him then, that the conclusions and the practice of other nations could be comparatively disregarded, as being the outcome of a retarded and immature economic intelligence, informed by an incomplete experience, and obscured by the survival of obsolete and unscientific notions. That great thinker would not thus have expressed himself in 1907. The short interval of time since he wrote has witnessed the linking up of all the economic and financial centres of the world by instantaneous intercommunication. The industrial, commercial, and financial organizations of 1850 could have been with truth spoken of as essentially "English." In 1876 Mr. Bagehot, inaccurately, but with a certain degree of justification, could describe them as having attained their complete development only in this country, and being absent or comparatively rudimentary elsewhere.† But all these are now clearly recognized, even by the ordinary "man in the street," as no longer national but international. For they are now common to the whole civilized world, and equally operative throughout. The twentieth

* "Economic Studies," pp. 1—27.

† So much so that banking and discount, the two mainsprings of commerce and finance, he regarded as really British institutions to be considered from a purely British point of view according to doctrines beyond the grasp of other people. *Ibid.*, "The Postulates of Political Economy," pp. 80 and 81 also p. 91.

century sees the local organizations of industry and trade all simultaneously at work on practically the same principles and with the same effects in Paris, Berlin, and St. Petersburg, in Rangoon, Shanghai, and Yokohama, in New York, San Francisco, and Buenos Ayres, and Johannesburg, precisely as in London; not independently of each other, or even operating on different principles or with varying results, but forming actually integral interdependent parts of one great automatic international organism. Each constituent part and the country in which it works vibrates instantaneously in response to each occurrence, movement, and oscillation in every other.

In Mr. Bagehot's sense it is no longer possible to think of an "English political economy," any more than of a "French mathematics," or a "German chemistry," or an "American astronomy." Not only the institutions and experiences, but the accepted theories, customs, and beliefs of every commercial centre in the world have to be taken into account before it is possible to formulate any sort of accurate presentation of the economic phenomena observable in any one country, or any deduction whatever as to the effects on the welfare of any community of any given series of economic antecedents either within its own borders or elsewhere in the world. In short, economic problems have inevitably to be everywhere considered from an international point of view.

But, nevertheless, it is legitimate to think of their solution mainly in respect of their effect on the welfare of one's own country. We are for the most part (the writer assuredly is) so constituted as instinctively to seek the advantage and welfare of our own country and those of our own nation, caring little in comparison for the fate of other peoples, except in so far as our own prosperity is bound up with theirs. A cosmopolitan humanitarianism has and ought to have its sentimental attractiveness: certainly it is more reasonable and beneficent than an attitude of unreasoning, narrow-minded hostility to alien people. But the "brotherhood of humanity" is a doctrine which, though some day or another it may be ready for a more complete assimilation, seems as yet to the ordinary Englishman one the propaganda of which it were better to postpone till the brotherhood of Britons is more satisfactorily recognized in the United Kingdom. So long as ranks and classes and sects continue to cherish antagonisms and hatreds and intolerances towards each other within our

own borders, as they undoubtedly do, it seems premature to ndulge in aspirations for the solidarity of mankind. And so ong as other nations continue to strain their energies to the utmost in the attempt to deprive our own people of the opportunities of economic success, and naturally keep on endeavouring appropriating in competition with us the wealth of the world, evincing no notable fastidiousness with regard to the weapons of the conflict, the main concern of our "enlightened self-interest" will continue to be the concentration of our endeavours on the effort to hold our own against them, not prompted by hostility, but by the instinct of self-preservation.

In this sense there is room and to spare for a true "English political economy"; a practical constructive science, to be directed to the ascertainment and adoption of such measures as may best subserve our own national interests. To that end it were well to bring to bear some sound analysis of "things as they are" the world over; for it is from this that must be built up the fabric of knowledge of what concerns the national salvation, deriving its science from no modernized restatement of what has been laid down by ancient venerated professors, but seeking guidance from the real general experience of mankind, and from what may be gathered from the observable trend and bearing of the whole world's economic institutions, of which our own are but a fragmentary and subordinate organization.

CHAPTER II

WEALTH AND MEANS

Just as parcimony of axiom is a fundamental necessity for any inductive science, so is there an equally indispensable requisite of accuracy and utility, which is adequacy of definition—*i.e.*, such care in the guarding of the words to be made use of as shall sufficiently ensure terms against becoming vehicles of fallacy. It is imperative to define exactly the actual meaning of every word that is to be used as a term of art, and to endeavour to eliminate the variety of subtle connotations associated with each, the influence of which tends to falsify thought by the importation of tacit meanings, generally bringing prejudice into action in place of logic. As Emerson puts it, "The first thing necessary is to depolarize our expressions." The fallacy of the "undistributed middle" or ambiguous general term obtrudes itself more persistently in Economics than in any other department of human thought except Ethics and Theology. The words "happiness," "wealth," "value," "capital," "labour," "productive," "law," "utility," for instance, and above all the seemingly innocent term "average," are inexhaustible mines of economic fallacy. They denote different ideas to different minds, and from moment to moment even to the same mind, and often in the same sentence. And as for their tacit connotations, these are still more subtle and elusive. It would be of immense advantage to accuracy if all this coinage could be called in and obliterated, and fresh tokens issued from the mint of language to replace it with a virgin currency of less ambiguous connotation.

In the course of these chapters the writer has been compelled to fashion one new word,* for which he apologizes by anticipation. But every man who seeks to express ideas on Economics differs in this respect from metaphysicians, whose privilege, from Plato's days to those of Hegel and Schopenhauer, it has ever been that each should fashion for himself his own special technology.

* Page 46, *post*.

Economists who desire that their conclusions should issue in the direction of an effective influence on general public opinion are constrained to make use of words which denote familiar meanings. For they must, to effect anything of value, appeal to the ordinary man of the world; and the influence which any man can hope to exert by writing, even in the plainest and most popular language, concerning this practical and vitally important sort of knowledge, to the acquisition of which men are so generally averse to apply themselves, would dwindle to nothing were he to attempt to coin for himself a new-fangled language of doubtful Græco-Latin parentage.* He has no choice but to adopt the current phraseology of his time and age, however soiled with the stains of ancient and greasy fallacy.

Bagehot says, "The necessity of a science like Political Economy is that it must borrow its words from common life, and therefore from a source where they are not used accurately." † But when he goes on to say "that they *cannot* be used accurately," the present writer ventures to express his dissent. They can, *and they must*. It is not true that they are "so few that if you tie them down to one meaning they are not enough for your purpose." If anything, our English speech is over-copious in its supply of delicately shaded semi-synonyms. "The varying of our definitions as we want, just as we say let X Y Z mean now this now that in different problems," ‡ though it may have been, as he says, "the practice of the clearest and most effective writers," is an evil practice having a result fatal to accuracy. No writer was ever clearer or more effective than Mill, but a whole chapter could be filled with instances in which he allowed the words in which he reasoned to vary, and thus, by insensibly changing his definitions as he moved from problem to problem, to impair the soundness of the general conclusions which he derived when he came to piece the outcome of his problems together into a connected whole. It may well be that by adopting a contrary method a writer's style must "grow cumbrous"; that is less mischievous than inaccuracy of result; and surely it ought to be possible to avoid the "falling back into other senses of words used in a particular sense"

* Bagehot, "Economic Studies: The Postulates of Political Economy," p. 64 *et seq.*

† *Ibid.*, p. 64.

‡ *Ibid.*, p. 66.

without inventing new terms like the metaphysicians, and without wearying the reader with "repetitions of a specially prepared complex combination of words to denote each idea." At any rate this is the method which the present writer is trying to pursue throughout these chapters.

A practical definition of Economics is that it is the science collating the phenomena attendant on the production and distribution of "Wealth," and deducing therefrom their natural sequences, what are termed their "laws." The use of the expression "law" to denote the supposed nexus between each set of antecedents and its observed sequences is admittedly unscientific and conduces to fallacy. But it has been sanctioned by immemorial custom, and forms part of the thinking apparatus of mankind.

It is desirable therefore to define accurately, in the first place, the meaning to be attached to the word "Wealth." In common acceptation it is used as synonymous with "Riches." But it will be seen that "Riches" denotes the idea of a combination of two sets of things which cannot be classed together. In these chapters the word "Wealth" (if it were not for the uncouthness of Mill's favourite expression, "Commodities," that would have been substituted and the word "Wealth" have been discarded altogether, which might have been the better course) means the aggregate of desirable material things susceptible of appropriation, excluding money (the reasons for which exclusion will be explained), and also excluding land, which, as in due course will be shown, is *sui generis*, a desirable thing susceptible of appropriation, but which, although in many respects it obeys the same laws as commodities, is yet essentially different in origin and nature, and which must be considered by itself (see Chap. IX. hereafter).

One school of writers assert Wealth to be the sum total of "things created by labour"—"labour" being another word saturated with controversial connotation, only to be admitted to scientific use after being itself thoroughly disinfected. For the present, it is preferred to reject that definition; to what extent it is true, will be considered hereafter (Chap. X.). As will in due course be seen, though the intervention of human energy in some form and to some extent is indispensable to the production of all "Wealth," which is what men set themselves to derive from land; the degree in which that energy is embodied in wealth and

originates value, which is wealth's essence, varies indefinitely in respect of all commodities ; enters into some to so small an extent as to be practically negligible, while others derive almost all their value from the direct labour that has gone to produce them ; and others again owe the greater part of their value to the results of bygone labour to which recourse has been had in the making of them.

By far the larger volume and value, however, of what is in the common and popular language called " Wealth " belongs to a different order and nature to " commodities " altogether; it consists, that is to say, in the first place of money, which is essentially the measure of the right to call for and command commodities ; and next of certain other rights in claims to and anticipations of future benefit from the commodities which have been already produced, and from others expected to be hereafter produced ; of confidence, that is to say, in its own convertibility into commodities existing and hereafter to exist. To denote the total of the riches of the individual, which are built up to some small extent of the actual " commodities " in his possession at a given moment, but in a far greater degree of his expectation of being able to participate in those existing and to exist in the world, it is proposed in these chapters to make use of the common word Means.

Now in the Means of each man is included in the first place his money. To class this as " Wealth " is a mere confusion of ideas, a blunder similar to that which the accountant of the Bank of England would commit, if in his accounts he were to credit the Bank equally with the value of the gold in the vaults and with the amount represented by the bank-notes in the drawers of the cashier printed to represent that gold and available for issue. It is to confuse together the thing itself and that which denotes it, represents it, and is the measure of its value.

The wealth of the world at a given moment is one thing. It includes all that there is corporeally existing in the world at that moment (other than its land) which is capable of being appropriated for use and of satisfying the needs of man. This alone is *Wealth*, a thing constantly being created, consumed, and reproduced, consisting entirely of commodities. Indeed there is in itself, and can be, nothing else intrinsically desirable by mankind and capable of appropriation but commodities and the use of the land from which the are derived. Now all this

wealth is appropriated—the "property" of some individual or collection of individuals. Each morsel has its owner, from the moment when it is first extracted from the earth to that when it is ultimately consumed, and each is incessantly passing from the ownership of one man to that of another. While in the possession of each in turn it becomes his "property" and forms one part of his *Means*.

Such are his "goods and chattels," his clothing and provisions, his machinery, his physical tools and contrivances of production. But in a modern civilized country there is much appropriated by him over and above that of which his actual wealth consists. He has not only all his existing commodities or true wealth, but also, and especially, his power to obtain commodities, existent or future. And the most elementary of all the fallacies of Economics, or rather of ignorance of Economics, is that confusion which has arisen from the inveterate trick of applying indiscriminately the one word "Wealth" to denote first the wealth of the world, which consists entirely of commodities, and then that greater part of what belongs to each individual, his Means, which is the evidence of his power to obtain them. Having consummated this confusion, the sciolist next proceeds to reason as if this one word always denoted the same idea. Even accurate thinkers have repeatedly fallen into what, when carefully analysed, will be seen to be in reality the same error. They have a trick of speaking in this way of the "Wealth of the world" as being a total of the sum of the "shares of wealth" possessed by individual men. This is in itself inaccurate; but the main error is that of confounding Wealth with Means.

That part of a man's Means which consists of his commodities, though important, it is not proposed to deal with otherwise than in its aspect as a part of the "Wealth of the world." It is not for a moment to be lost sight of, but in these chapters the expression "Means" will be used specifically to denote the man's power to obtain commodities (that is to say, his money), his opportunity of producing them, which includes land, and therefore also his power to obtain money (that is to say, his securities for money, which are to money what money is to commodities), and the whole of the accumulation of varying evidences of his title to participate in wealth. Far from the accumulation of these Means by an individual adding anything to the wealth of the world, the money and investments of each

man are *pro tanto* a subtraction from it, evidencing as they do his right to appropriate it as against other men, to abstract it from the total stock available for the benefit of mankind.

"Money" is the most obvious and familiar form outside of true Wealth in which Means are embodied. It needs but little comment. The coins of gold (silver money may be disregarded for the moment), still more the pieces of paper on which are printed promises to give and pay money, are tokens contrived to pass from hand to hand for the primary purpose of enabling men to convert means into commodities and *vice versâ* at will.

Except in so far as gold happens to be in itself a metallic substance susceptible of a certain amount of actual economic use, and therefore of some sort of value apart from its utility for purposes of coinage, the additional extraction from the earth of this substance adds no more to the sum total of commodities or economic Wealth than does the additional printing of bank-notes; and though the person who is fortunate enough to acquire a store of either of these kinds of tokens, whether by digging or by cheating, by processes of trade or speculation, or by successful forgery, thereby adds to the Means at his own command, and so becomes what people call "wealthier"; neither an increased production of gold, nor any additional activity of the printing-presses which are used for the emission of promissory notes and documents of title to money, adds to the sum total of commodities in the world, nor increases the total volume of Wealth in the slightest degree. Nor does it affect the relative desirability *inter se* of commodities, what is called their "value," an attribute which it is proposed to examine in the next chapter. Similarly, no redistribution of the money or securities for money existent in the world has an immediate direct effect on the total of wealth, though indirectly it affects its production most powerfully. Shuffle and rethrow the counters as you will, they remain counters still, and apart from the real things which they represent. That is to say, the sum total of commodities existing will not be directly affected. Their mode of distribution will be altered, but any aggregate deficiency of one or redundance of another will be as before.

Apart from certain classes of things (some of them of great importance) the supply of which is restricted either permanently or temporarily so that they are normally "dear," because incapable of being produced at will, it will in due course be seen that with

respect to the great bulk of commodities there can, except locally and momentarily (while the normal processes of industry continue), be as a matter of fact no permanent deficiency in the aggregate supply of the majority of ordinary commodities, and that there will ultimately be no redundancy, except also momentarily and locally. For these are the things of which the world's production adapts itself by commerce automatically to the effectual, which is the commercial, demand of the world.* As mere need, which is uncommercial, *i.e.*, which has no effectual power, no supply can be commercially produced to respond to it. Its satisfaction is a function of benevolence, the most effective application of which, however, is not the mere distribution of alms, however judicious and beneficent, but rather the devising of the organization and institutions best calculated to enable impotent need to transform itself into effectual, *i.e.* commercial, demand by the extension of earning power to the class from which mendicancy or crime would otherwise be recruited.†

Means are essentially (as will be seen in Chaps. III. and VIII.) mental and subjective embodiments of the anticipation of power, incarnations of confidence—in the first place, and essentially, of confidence in the permanence and stability of civilization, in the sanity and justice of human law, in the efficiency of the action of the State in enforcing it in general, and especially in the prepotence of that fundamental doctrine of ethics and jurisprudence which enforce the fulfilment of obligation and the observance of contract.

The next point to note about Wealth and Means is their "internationality." The common identification of Wealth with Means is responsible for one somewhat fallacious conception, which is that of "nationality" as an attribute of Wealth. The expression "the Wealth of a nation" or "the Wealth of nations," however sanctified by the fact that it was chosen by the greatest of all economists as the title to be given to his greatest work, is in itself a name of fallacy. The expression "the Wealth of a nation" is a rhetorical figure of speech, dangerous to employ for a scientific purpose, and the use of which in unskilled hands leads to great possibility of error. Were it not for the reverence we all feel for the great name of Adam Smith, one would be tempted to say it should be discarded from economics and

* *Post*, p. 175.
† *Post*, p. 334.

relegated to its proper place in the vocabulary of popular politics. When people talk of the "Wealth of a nation" they are incessantly "ringing the changes" on three entirely distinct and incommensurable conceptions—

(*a*) The quantity of commodities existent in a given country.

(*b*) The sum total of the means of those who are conceived of as being citizens of the nation of that country.

(*c*) The entirety of the property of that particular corporate impersonation of the power and authority of the nation which is called the "State" or the "Government," but which is by no means identical with the nation from an economic point of view.

In addition to these inherent ambiguities, the expression the "Wealth of a nation" brings one face to face with the identical series of difficulties which in the last chapter were indicated as attaching to the use of Bentham's formula "the greatest number." What in the region of economics is meant by a "nation"? For political and ethnological purposes the word has its plain and obvious signification. It denotes the abstract entity of the totality of a number of people inhabiting the same political subdivision of the earth's surface, living under the same government or combination of governments, under the same general system of law, and more or less having the same language and animated with the sentiments of a common origin and a common destiny; and the idea also essentially connotes futurity and continuity by the progressive inclusion of future generations in the total conception. As a matter of fact, this entire catalogue of attributes can be applied in its fulness to comparatively few of the geographical divisions of the planet and their inhabitants; in the greatest degree to homogeneous States like France, Portugal, and the Scandinavian kingdoms; in some respects to China, certainly to the Japanese Empire, and more or less, to some extent, to all nations, even including such an intricate heterogeneous conception as that of the "British Empire."

But if we take even one of the most homogeneous and self-contained of all these, for instance France, it will be perceived that any accurate conception of such a "nation" as an entity capable of possessing either "Wealth" or "Means" is one that it is impossible to form. For what is the "nation" to mean from the point of view of the economist? Is it the sum total of the individuals at any time resident in a given country? Does it

include strangers more or less permanently domiciled there, or the subject races of a vast African dominion, or such of its citizens as may be pursuing their avocations in colonies or in foreign parts, or fellow-countrymen like the colonists in Lower Canada or Mauritius, who, happening to be politically subject to another power, yet identify themselves with their ancestry and look to France as the home of their sympathies? Above all, is our economic conception of the "nation" to limit itself to the existing population, or must it include, and, if so, to what extent and in what ascertainable manner and to what degree of remoteness, citizens hereafter to be born into it? From a political point of view it is necessary to conceive of the complex and fluctuating entity denoted by the word "nation" by excluding these considerations. But when the word is attempted to be used in the analysis of economic process, its vagueness renders it useless. For one cannot in this regard analyse the processes of either the production and distribution of Wealth or the accumulation of Means (from the point of view of whichever of these two legitimate significations the "wealthiness" of the "nation" is to be regarded) when either the nationality of the producers or possessors, or the momentary localization of the constituent parts, has to be taken into consideration. The first and most salient attribute of "Wealth" is its infinite exchangeability and absolutely international character.

The contents of the wine cellars of Reims or Bordeaux, the silks and the velvets stored in the warehouses of Lyons, the cotton fabrics in Roubaix and Lille, the iron and steel wares of Creusot, the ornaments and wearing apparel in Paris, are things resting for the moment in particular places in the hands of producers or dealers in France, on their way to permeate the markets of the world. To-day they are part of the Wealth of France; to-morrow they will form a portion of the objects of desirability susceptible of possession to be found in London, Vladivostok, San Francisco, Johannesburg, or Rio de Janeiro, there to form a part of the "Wealth" of another nation, and of the Means belonging to another set of individuals; while the equivalent for them, that which has become from day to day due to Frenchmen in exchange for such things, originally theirs, as are being utilized elsewhere, will in the first place be seen to consist of other commodities which commerce has substituted—iron from Sweden, copper from Siberia, wheat from Odessa, leather from the

Argentine, machinery from Pennsylvania—the whole sum total of commodities of foreign origin required for momentary use and consumption in France. These in like manner have been ever changing locality and ownership while finding their way to utilization in France. As for that surplus of value to which it has been agreed to give the name "profit"—what remains over after the satisfaction of the subsistence of the labourer and the claims of the process of reproduction of commodities (which Marx has demonstrated to be the primary function of industry)—this "profit" has been transmuted in whole or in part in the very making.

Into what? Into promises to pay, issued by the Governments of England or Egypt, or by the municipalities of Saigon or of Wellington in New Zealand; into shares of the future productiveness of the railways between Vienna and Milan, or Cape Town and Cairo; into rights to participate in the future profits of extracting diamonds at Kimberley, or copper or gold in Peru; into shares in ships, sailing under the Norwegian or British flag; into chances in a lottery at Hamburg, or wagers on the swiftness of a horse entered for the Prix de Paris; into all sorts of chances and promises and evidences of promises; into some of the myriad forms of confidence which go to constitute Means. Now to what "nation" are to be attributed the enterprises, the hopes, the expectations represented by any of these forms into which the surplus means of the individual Frenchman have been for the moment transmuted? To what nationality can they be said at any moment to belong? And many enterprises in which both Wealth and Means are employed are still more inextricably cosmopolitan; so much so that it defies analysis to indicate to what nationality of people the means or wealth employed in them can be attributed in preference to any other, blending as they do with the streams flowing from and to many countries at once, and appertaining on the whole to none exclusively of any other. Did space not forbid, striking examples of this truth could be instanced, which will readily occur to the mind of every reader of newspapers. And, indeed, such embodiments of Wealth and Means might almost be said to be the rule rather than the exception with respect to what is owned by "companies" as distinguished from individuals. For these acknowledge no nationality in their shareholders, or in the distribution of their gains. In this aspect, where does the "nation" come in?

What is its function in the incalculable, intricate, evanescent, and yet ever reappearing sequence of phenomena?

And there inevitably emerges from this consideration this general result, namely, that the essential characteristic of the entire process of wealth production and distribution is internationality, and that the same principle holds good in an intensified degree, when means are regarded.

Capital, investments, each and all of the multiform incarnations of individual opulence, will be seen to exhibit still more immediate and incessant changes of ownership and locality. They are susceptible of momentary fluctuations of value, and by reason of this, incessantly stream from one point of the world to another, in yet more ready obedience to the momentary impulses of demand and supply, induced by local wants and the opportunity of supplying them, by local scarcities and congestions of capital or of cash, by temporary diminutions of confidence in one centre, or exceptional sanguineness of commercial and industrial adventure in another; while as to each of the component "securities" out of which means are heaped up, there is a bewildering multiplicity of minor currents of momentary value which cause each to obey a set of impulses peculiar to itself, the study and appreciation of which is the function of finance. And the measure of all values, the money of which all are special expressions, is also all the while gyrating and nutating on another and independent orbit of its own, in response to the alternate appreciation and depreciation of gold. In all this perplexingly intricate conception one thing is clear, and that is that the "nation" as such has no place at all. The prime factors of the equation are the individual and the world.

The "State," on the other hand, is a term denoting a true entity potent in the economic process. By the "State" one means the governing power or co-ordination of governing powers which control and determine the legislation and administration of a given country; and whether this takes the form of a central government or of a correlated hierarchy of local and municipal authorities is immaterial. The State is an actual tangible corporate entity capable of acquiring Wealth and of disposing of Means. In one aspect it is an aggregate of governing persons. But by the "Wealth" or "Means" of the State is denoted an entirely different set of conceptions from what people imagine themselves to mean when they talk of "the Wealth of the nation."

The State is not the collective term for the total of the individuals of the nation. It is a trustee for certain purposes for the nation present and future. As such trustee it is constantly appropriating a certain definite portion of Means, convertible into the actual commodities needed and obtained from moment to moment, and used for the purposes of administration. The State possesses itself of this by the instrumentality of "taxation," and expends it in diverse ways, in the maintenance of the material fabric of civilization, in appropriate organizations for the protection of citizens, for the provision of many instruments of public convenience, and for purposes of education and even amusement and health; for the enforcement of law and order, the maintenance of national means of offence and defence, and the due establishment of the machinery of government.

Most important element of all, the State has arrogated to itself borrowing powers. In exercise of these it issues, at its pleasure, varying forms of certificates of national or municipal obligation to pay hereafter, chargeable on the anticipated future earnings of its citizens. "At its pleasure," because it can make laws binding everything but itself: no law could be framed that could effectually regulate beforehand the exercise of the national will so as to preclude any subsequently formed settled contrary intention of the same State.

The acquisition of the certificates of State obligation is one of the most important among the many purposes to which finance appropriates the Means arising to industry by exchange from what remains over of the Wealth produced after the need of reproduction is satisfied—what is called "Profit." The process is designated "investment," and "investments" embody the main part of the "Means" of civilized mankind; and of this consists in the hands of individuals the bulk of that part of Means which is termed "Capital."

Each State, as contradistinguished from the nation, becomes thus a dynamic force in the process of the production and distribution of Means, having power to influence economic phenomena throughout the world, not only within its own borders, but by virtue of the exchangeability of Wealth and also of Means, beyond them; whether by deliberate corporate action, or unintentionally by the undesigned consequences of its intervention. The State is by no means the only source of economic "investment." The "capitalist" and the commercial corporation,

men and aggregates of men, compete with and surpass States in the exercise of this same power of enchaining posterity. The industry of mankind, existing and to come, is always in process of being mortgaged by the issue of promissory notes payable by succeeding generations. This aspect of the subject is reserved for subsequent consideration and analysis.

These more or less confident anticipations of future benefit, from whatever source to be derived, constitute the form of "investment" of the great bulk of the Means of men, and by these means is provided that "capital" which is a necessary ingredient of the industrial process. The false reasoning that all Means are part of the "Wealth of the world" induces the majority of mankind to regard the creation of such "investments" with equanimity. One paradoxical writer boldly claimed merit for a certain municipality that happened for a time to distinguish itself by a particularly active participation in this process of the heaping up of indebtedness, on the frank ground that the emission of securities is in itself the "creation of wealth." * At the same moment it happened that certain of his comrades were occupying themselves in vigorously inculcating by speech and writing on those more numerous classes on whose shoulders and those of their children the satisfaction of these same claims must rest, the paramount right and duty of insisting on the repudiation of all public debt whatever, as a necessary step towards the equalization of the conditions of human life and the realization of the vision of the time when "there shall be no more poor, because there will be no more rich." Into the comparative validity of these rather conflicting conceptions of what is demanded by the consideration of the "greatest happiness of the greatest number" it is proposed to enter in subsequent chapters.

The consideration of Wealth and Means would be incomplete without a short reference to that mental human attribute by virtue of which they are brought into existence.

Acquisitiveness is the economic human motive, the determining antecedent of human intention in producing and acquiring. It is denoted by a variety of names, varying according to the

* Mr. G. B. Shaw. "The investor prefers the corporation with the largest municipal debt exactly as he prefers the insurance company with the largest capital. And he is quite right. Municipal expenditure in trading is productive expenditure; its debts are only the capital with which it operates." "The Commonsense of Municipal Trading," p. 3 ; see also p. 101.

controversial connotations of praise or blame desired to be expressed. Under the aliases "avarice," "greed," "rapacity," "dishonesty," it is treated as a subject for denunciation; when it is desired to commend it, it becomes "prudence," "economy," "self-denial," and "thrift," under which last name it is worshipped by the utilitarians with a profuse connotation of eulogy, and looked at somewhat askance as a motive of doubtful beneficence by the opposite school of thinkers.* What is true about it is that without the intervention of the speculative and acquisitive instincts of man Means would not be accumulated or industry undertaken or wealth produced on an economic and commercial scale. And therefore the moralists who sit in judgment on industry and commerce cannot legitimately complain that those who practise and carry out these processes exhibit in their course "*les défauts de leurs qualités.*" The "rigging" of markets, the "cornering" of stock, the "fettering" of production, whether by workers labouring under the false notion of a wages fund, or by capitalists eager to prop up the prices of a falling industry; the false rumours of scarcity, the tamperings with official reports, the manifold devices by which the speculator and the "promoter" contrive without labour to appropriate to themselves the earnings of their fellow-creatures; these and the other time-honoured developments of the commercial system, so much of which consists in the selling of that which the seller has not, and the buying of that for which the purchaser is unable to pay—all these point to no particular moral defect, but are simply manifestations of acquisitiveness, of the activity of mankind in the acquisition of Means, "*recte si possint.*"

Acquisitiveness aims not at the heaping up of commodities, as a squirrel collects nuts, but at the obtaining of that for which commodities are exchangeable—money. The immediate object of each acquirer is the appropriation of a greater share of the Means in the world—a bigger claim on the Wealth produced in it: and the results of the impulse are industrial production, commercial distribution, and financial activity. These are the three forms in which it manifests itself as a factor in the material process of civilization. Much has been written by metaphysicians in demonstration and refutation of the thesis that "self-preservation,"

* See a very pithy indictment of "thrift" by Mr. G. B. Shaw ("The Commonsense of Municipal Trading," Chap. X., pp. 96—97), by no means without its solid justification.

or "self-interest," as it is called, is the universal and only conceivable human motive. This is a truism, meaning the obvious truth that the human being is so constituted that he cannot step out of his own individuality. It is a metaphysical assertion which has to be entirely disregarded in economics, except in so far as it expresses a law of thought which has been overlooked by the would-be constructors of society on a collective basis, who postulate a revolution of human intention, such that the egoistic passion for self-preservation should be miraculously transmuted into a desire for the general well-being of that society of which the individual for the moment forms a part.

These propose, in effect, compulsorily to substitute the instincts of the bee and the ant for those that have been hitherto known to actuate Man; and they find their initial and insuperable difficulty in the perverse incapacity of the human mind to assimilate the conception. In the struggle to induce mankind to accept "collectivity" as a preferable alternative motive to individual acquisitiveness, they have found themselves constrained to appeal to acquisitiveness itself in the very egoistic form of envy. Their practical method is to incite their hearers to action by a description of the iniquity of the excessive Means of the more opulent classes, and of the satisfaction that each individual has to expect for his own acquisitiveness, by bringing about a radical process of redistribution. This aspect of collectivism will be dealt with hereafter.*

In the examples given in Chaps. IV.—VII. inclusive it is proposed to note, with respect to each of the products selected as typical of the action of the "laws" regulating the production of Wealth, their effects on the "value" and "price" of each commodity; results which control distribution. So that before entering into the detailed analysis of special economic processes, which it has been thought advisable to attempt for the reasons indicated at the commencement of Chap. IV., it is necessary to devote a short chapter to the consideration of the precise ideas underlying these and certain other general terms applicable to all Wealth, and in common use in discussing its characteristics.

* See *post*, Chap. XXI., p. 402.

CHAPTER III

WEALTH AND MEANS (*continued*)

Capital, Property, Value, and Price.

Involved in the conception of Wealth and Means are the ideas or attributes denoted by the above four words. By "Capital," as has been already indicated, is denoted Means under a particular aspect. The word "Property" is used to indicate the degree of appropriation of Wealth and of the embodiments of Means. "Value," it will be seen, is a synonym for desirability, and "Price" is the measure of Value expressed in money. In reality an accurate definition of these four terms will be found sufficient to dispose of many dialectical conflicts which have accumulated around them, and, incidentally, of the great bulk of economic fallacies; and therefore it is desirable to devote this chapter to a closer analysis of the ideas involved in their use.

"Capital" is a word the use of which has become perilous, on account of the connotations of eulogy and vituperation with which it has become saturated. It is an elusive and ambiguous expression; and though for convenience the word may be found here and there in the following pages by way of illustration or to suit the exigencies of a sentence, care has been taken to avoid employing it for any vitally logical purpose. For a charming example of what it is *not*, a passage from Bastiat may usefully be referred to.* He confused the commodities on which a part of it is momentarily embodied, "fixed capital," as Adam Smith called it, with capital generally, and the same confusion pervades the idea of the modern collectivists, who imagine that by seizing on these fixed things they will succeed in appropriating to the

* "Qu'est-ce donc que le capital? Il se compose de trois choses: 1° des matériaux . . . 2° des instruments . . . 3° des provisions . . . Sans ces choses, le travail de l'homme serait ingrat et à peu près nul, et cependant ces choses ont elles-mêmes exigé un long travail, surtout à l'origine. Voilà pourquoi on attache un grand prix à les posséder, et c'est aussi la raison pour laquelle il est parfaitement légitime de les échanger et vendre, d'en tirer avantage si on les met en œuvre, d'en tirer une rémunération si on les prête." Bastiat, "Capital et Rente," Chap. III.

State the means of producing wealth. In fact the term is a colloquialism, meaning one thing or another according to the context, and importing no precise denotation of significance.

When a man actually employs a portion of the Means at his disposal which he can exchange into Wealth, with the purpose of producing to himself profit or interest, he calls that portion his "Capital": the word is then correlative to "income," which is what he gets or expects to get periodically out of its employment. Thus if he buys premises or machinery in order to manufacture, these commodities embody a part of the Means which he calls his "Capital," and these and similar embodiments in Wealth constitute the primary and most obvious signification of the term. It is this particular fragment of Means out of which, at the moment, the "collectivists" are most anxious to expropriate the owner, in order that all production may become a function of the State.* These gentlemen conceive that, when once they have laid hands on the particular commodities which at any given time are being actually employed in Wealth production, the process will "go of itself," and the State be enabled permanently to carry it on. Nothing can be further from the truth. The individual Man knows much better. Commodities are all essentially quite perishable (as will be seen hereafter, p. 58), houses and machinery as assuredly as bread and butter; and a man's conception of his own "Capital" is something much larger and more comprehensive, comprising far more than the sum total of the material appliances existing and progressively to be acquired, by the use of which he contemplates the continuing and indefinite profitable application of his energies. He reckons in, in his Capital, "*ipse, domi, nummos quando contemplatur in arca,*" not only the commodities he has got, or expects to get, but so much of the Means appertaining to him as at any moment he expects he may be disposed in the future to exchange into commodities and devote to his purpose, and therefore, as possible "capital," all his money, his stocks and shares and securities; and when in a sanguine and optimistic mood he is impelled mentally to throw in personal attributes, his experience, his mental energy, his good character, and his acquired skill: all that he is or has, or will or hopes to be or have, he considers at times as being so much power, by aid of which he hopes to satisfy his passion of acquisitiveness; and all

* See "Fabian Tract" No. 11. "English Progress towards Democracy."

this he describes to himself as his "capital." So much of it as is needed as the instrument of further acquisition he expects he will devote to the purpose, in whatever form it may happen for the moment to be embodied. A collector of jewels or works of art looks upon even these as embodiments of "capital," though, except in the hands of a dealer, they are essentially incapable of producing profit. For, when the need arises, they will be, he trusts, susceptible of being exchanged back again into more fluid Means, and though the unproductive things themselves can earn nothing, into whosever hands they fall; the Means for which they can be exchanged by their temporary possessor will as far as he is concerned (though they themselves will ever remain infructuous Wealth) be, he believes, employed in the spinning of cotton cloths or carrying of passengers and goods, or the breeding of pigs for profit. "Capital," therefore, for the expression in itself accurately denotes nothing, is a word used to signify such indeterminate parts of the Means and power of the individual as from moment to moment he may be disposed to put to the service of any of the methods he may think fit to employ to acquire profit. And this is an entirely indeterminate and vague and fluid conception, expanding from moment to moment under the impulse of acquisitiveness and the stimulation of confidence, contracting under the influence of timidity and mistrust of security, corresponding to no fixed measure of quantity, and characterized by no scientifically analysable determination of quality. The extent of the Means of each man is just a superior limit to which his "capital" will never rise; the inferior limit is determined by the degree of his acquisitiveness, the opportunities that he has of exercising it, and his confidence in the security of the employment. Between these two limits, in the case of each individual, his "capital" fluctuates from day to day under the impulse of his individual will. And what is true of the individual is equally true of the collection of individuals in the nation and the world.

"Capital," is a mere word signifying on the whole the degree and extent to which, in any nation or in the world, mankind is willing to devote for the moment its available Means to the satisfaction of its instinct of acquisition. It varies, therefore, from place to place and from moment to moment under a multiplicity of impulses, and can no more be considered in the light of a calculable and verifiable thing than any other of the

myriad manifestations of the human will. Therefore, whatever counters we use in this attempt to construct anew the science of the economics of reality, let us beware of juggling with this one. Assuredly its use can lead to nothing beyond fallacy and confusion. You can use it, if you choose, to denote those things and commodities which have, so to say, been already irretrievably devoted to profit-making purposes: machinery, buildings, ships, railway works, and so forth, what Adam Smith called "fixed Capital"; and the total of things so devoted for the moment mounts up to an imposing figure, it is true, when expressed in terms of money. But all this is a mere perishable shred, when compared with all that is needed to continue and prosecute the labour of production, and without free recourse to which the economic process must as inevitably come to a standstill, as a watch when its springs run down. "Capital" in the abstract and general sense of the term is all that which is and must be employed to keep the machine moving, and its limit is the sum total of Means in the world, incessantly flowing from one country to another, from one employment to another, whenever and whithersoever the acquisitiveness of mankind for the moment shall choose to direct it. And this is incalculable and defies analysis; it is not infinite, but it is indefinite, and the use of any term connoting indefiniteness is forbidden to scientific thought.

Against the incautious use of another term of common use it is necessary to warn the reader, and that is the word "Property" —a still more vague and unscientific colloquialism. Wealth has been above described as consisting of all desirable objects susceptible of appropriation; that is to say, it must possess the two characteristics of value and of being appropriated; but the mode and extent of the appropriation will be seen on consideration to vary indefinitely according to the nature of the object, the use to which it can be put, and above all the force and direction of the laws and customs which regulate and sanction in each country the extent to and in which it is permitted; for property is a creation of municipal law. The loaf of bread is the "property" of the head of the family, and each successive slice the "property" of the child into whose platter it has been put; and the sanction which safeguards it is the smack that awaits the child that would filch the slice from its younger brother or sister, Here is complete dominion, absolute "property." A square mile of land is something, not wealth, but an opportunity of

getting wealth, which (see hereafter Chap. IX.) can only be an object of property in a feeble and momentary degree, the rights in which entirely depend for their recognition and validity on the laws and regulations of the country in which it is situated; a thing in which no human being can conceivably possess more than a temporary and qualified usufruct, his power and mode of enforcing which is a mere matter of custom and convention, liable to be altered at any moment at the will of whoever it is that disposes of the ultimate force of the State—the force by which society is held together and which creates "property." And between these extremes lie the infinitely varied characteristics of all sorts of "property" in all sorts of things.

Greed knows no limit to its yearning to appropriate. The light and heat of the sun, the purity of the atmosphere, the force of the wind, will all in turn be turned into "property" if human acquisitiveness can compass their appropriation. Nay, in some form tentative efforts have in fact been made to exclude mankind from the free enjoyment of these, in the interest of privilege. "Property" is a word denoting the extent to which and the degree in which society (which is force) chooses to recognize and enforce the rights of a temporary possessor. Temporary, because of all modes of property one characteristic is obvious, that it cannot possibly endure beyond the life of the proprietor. He takes with him into the next world neither his loaf nor his acre. It may be that somebody survives him, to whom it is thought desirable to accord the whole or some proportion of the right of appropriating that which once was his; and it may be also that this right has been in the majority of modern States too lightly and lavishly accorded, and that the time is at hand when greater restrictions will have to be put on the facilities now given to fantastic persons to select capriciously objects of posthumous benevolence. For the purposes of the present chapter these considerations are premature. Reference to them has been introduced for the purpose of directing the mind of the reader in advance to ultimate conclusions to which he will be invited to assent. What concerns us now is the vagueness and variability which in the very nature of things are inextricable from the notion of "property." The idea denoted by the word, and still more the conceptions connoted by it, vary to such a degree as to unfit it for use as an implement of scientific thought. It really means only the degree of appropriation of wealth or of means,

as the case may be, in which from time to time society thinks fit to acquiesce; a degree varying with each variation in the conceptions of those who wield the forces of society and determine the purposes to which they shall be applied. For the purpose of denoting things in general, "Wealth" and "Means" regarded as objects of possession, one may use the term "property" like the word "Capital," as a collective description apposite to either. But nothing beyond a certain literary amenity is to be gained by the adoption of a multiplicity of words to denote one and the same thing, and accordingly the writer proposes to conduct the examination of his subject to the close, not without making use of these two words, but without relying on either as a foundation of any serious reasoning. To keep this in mind they shall be invested with the commas of quotation.

Apart entirely from the consideration of the nature or origin of the things of which Wealth and Means consist, is the characteristic by virtue of which they exist, which is Value. While these conceptions of Wealth and Means are fundamentally intricate with those of "Property and Capital," so also they are involved with that of Value, which is desirability. Value is subjective. It is the measure of desire, of the human motive for acquisition; it is inherent in the mind which conceives it and not in the object of which it is conceived.

By the term the "value" of a commodity we mean its comparative desirability at the moment of contemplation as compared with other commodities. It varies from moment to moment, tending to increase with the demand for the commodity in the world, and decrease with the power of industry to supply that demand. One of the many conditions regulating supply is the "cost of production." In the "long run" (though the run is in some cases apt to be a very long one) human energy will withdraw from the task of producing a commodity so little desirable that the reward of producing it is inadequate to give a sufficient return for that cost. So that in the ultimate result the cost of production is the bottom limit (as it were, the lower asymptote of the curve) of value, which, except accidentally and exceptionally and under the pressure of what will be hereafter denominated "mononesis," or the tyranny of the consumer, Value never quite reaches down to. The cost of production (which includes cost of raw material, cost of labour, and cost of the necessary use or hire of "Capital" and of the other means by

which labour is applied to production from the raw material) is the lower limit, towards which the value of the thing produced tends to fall. Comparatively few commodities have as yet exhibited the effect of that tendency in anything like a marked degree, because a counter tendency is always in waiting ready to neutralize its operation, as a limitation of demand ultimately brings about a corresponding diminution of supply down to the point at which the latter is brought to correspond with the former, and when this tendency has had its operation, value tends to rise again. On the other hand, there is no ascertainable *upper* limit to value. No one would venture to predict the value, as measured by price, of any individual article which cannot be reproduced—a fine example, for instance, of the art of Velasquez or Cellini, a Venus of Phidias, or the green diamond of Dresden. The "value" of such a thing is limited only by the concupiscence and means of would-be acquirers. In a comparatively smaller degree, this entire independence of the cost of production is also exhibited temporarily by many articles of general demand of which the supply is for the time being inadequate, subjects of monopoly, the tyranny of the producer. At the moment of writing (October, 1907), india-rubber is one of these commodities, the price in the year 1907 working out at something like three times the money cost of putting the commodity on the market, tending, however, to drop with great velocity.* Here a contrary process is observable; the limitation of supply enforces by high price a limitation of demand and prevents the latter from attaining its normal expansion, so that the value does not attain an inordinate maximum; while the excessive value acts as a stimulant to supply and induces an increase of production in all but those exceptional cases where the rarity or inaccessibility of the raw material or some other exceptionally potent cause imposes for a time, or (as in the case of the æsthetic treasures above referred to) for all time, an insurmountable obstacle. This for example, up to the present, seems to be the case with radium, the most desirable of all commodities.

The idea of permanent or "intrinsic" value as attaching to anything, is simply unthinkable nonsense, the quality being solely and entirely relative, essentially comparative, and altogether subjective. Value resides not in the object of which it is

* Since these lines were first penned there has occurred a fall of about 30% in the price of this particular thing (July, 1908).

predicated, but in the minds of those who may happen to desire it, and of those others who having it desire to convert it into money. It is made up of a series of the beliefs and wishes of mankind in reality very intricate. The desire that men feel for any commodity is measured by their need of it, by their beliefs in its capacity to satisfy their needs, and as to the probable facility of obtaining it, and in the permanence of the institutions under which they may hope to enjoy its use; by their conception of the needs and desires of other human beings who are or may be their competitors for its acquisition, and the other people who have such things and will have to sell them, and by still more recondite and elusive considerations, all inextricably mixed.* The proof of the pudding may be in the eating, but the value of the pudding as it lies on the counter of the cook-shop, is mainly the belief of the purchaser in its toothsomeness and nutritiousness; and this again is made up of his experience of the taste of previous puddings, of what he observes of its colour and odour of the particular pudding offered, of his confidence in his own judgment, and what he knows of the reputation of the vendor; and then come in, as ingredients of value, what he can get a similar dainty for at other shops, his own desire to acquire the thing, (depending on the state of his appetite, and his belief in the capacity of his own digestive powers,) while the readiness of the baker to hand over his pudding depends on a similar result of complex motives and considerations. And, *mutatis mutandis*, the same thing is true of the value of a quarter of wheat, a locomotive engine, a fine example of Sèvres china, a share in the stock of the Bank of England, or a horse entered for the "Derby."

Value may be extinguished entirely or temporarily by a cessation of the utility of that of which it is predicated. It is constantly being altered by some alteration of the needs or caprices of this or that section of mankind. It may after a period of diminution or even apparent exhaustion revive by some veering of the wind of human fancy, by some unforeseen failure of a necessary ingredient of production, or by any other of the indefinite number of causes which are constantly and everywhere influencing values, which are spoken of generally and inaccurately as "demand and supply"; or, speaking more

* See this point admirably explained by Mr. Bagehot, "Economic Studies," III., p. 132.

accurately, the effectual aggregate need for things on the one hand and the available power of satisfying that need on the other. These tend to vary together, the increase of each in its turn stimulating the other, and the diminution of either tending correspondingly to lessen the other. They are therefore not to be looked on as opposed forces, but as correlated factors.

As pointed out in the last chapter, a demand is not to be conceived of as equivalent entirely to need or desirability, for it is only economically effective in so far as it possesses the power to procure its own satisfaction commercially. Mere poverty and destitution do not create commercial demand, great as their need is for commodities, any more than the physical possibilities of production create supply. Both are equally limited by the commercial aspect.* Economically they mean that demand and that supply which are commercially effective, the one by being translated into money price, the other limited by possibility of remunerative production. It is in their local and temporary attributes that these two factors of value exercise their potency in determining economic results; and in accordance with these values exercise their effects by stimulating or retarding production and consumption alike.

Commerce is the process by which the values of a commodity in a given country or district are perpetually adjusting themselves in the direction of what may be called average world-values, and by which the place and time fluctuations are, so to say, discounted by appreciation of the sequences exhibited contemporaneously in different places, and successively at different times. As applied to Means, the specific commercial function of acquisitiveness takes the form of Finance, which plays, relatively to commerce, the part which that does to industry, directing its operations as commerce itself controls those of industry, and adjusting in like manner the ultimate value of the constituent parts of Means precisely as commerce adjusts that of the several specific varieties of commodities.

The ultimate value of a thing, the asymptote, so to say, of the curve of its progression in desirability; the line towards which it tends to approximate as a sequence of this progressive adjustment of commercial action, must itself be conceived of as a curve and not as a straight line. This curve is determined by an equation into which many factors enter, but one of these

* Adam Smith, "Wealth of Nations," Book I. Chap. VII.

emerges as prepotent, that is to say, the belief as to the ultimate potential capacity of supply to cope with demand as the process of adjustment works itself out; in other words, it depends on whether in "the long run" mankind believes (for it must always be borne in mind that it is not what a thing is, that determines its desirability, but what mankind conceives it to be) that the commodity is one capable of production adequate to the needs for it.

So long as, to use the common mathematical symbol, $D > S$, value tends to rise towards a line limited only by human needs and desires. Where, on the contrary, the believed capacity of production is greater than the estimated absorptiveness of demand, or $S > D$, then in the "long run" the value of a commodity tends to fall in the direction of the estimated cost of production on a commercial basis. This to a certain extent, and within certain bounds, is the dominant factor of the adequacy of "supply" to cope with "demand."

One leading ingredient of the cost of production of a given commodity is undoubtedly the amount of human energy requisite to produce. There is a theory, insisted on with a particular purpose, that the average amount of "labour" required to produce a given article is the sole ultimate determinant factor in value, and that, therefore, all Wealth produced and producible depends for its value, and therefore for its essential quality of Wealth, simply on the "average" amount of labour expended. Adam Smith is the parent of this theory, but Marx was its great exponent,* for it is the base from which he attacks "Capital." He deliberately shuts his eyes to every determinant factor other than the amount of labour expended in production. For "labour," which is a polarised word, connoting much class prejudice, it is as well to substitute the neutral expression, "energy," the elements constituting which will be investigated hereafter.

As a fact, but little practical results attend the investigation of the more general conceptions of value, demand, supply, or cost of production from an abstract point of view. The utmost that this can lead to is that all these alike are subject to certain ultimate tendencies. To what extent they are obeying and will obey those tendencies, and how far and for how long they are

* "Capital," Vol. I., Chap. I., p. 5 (Eng. trans.). See also J. S. Mill, "Principles of Political Economy," Book III., Chap. IV., § 1, and Chap. VI., § 1; Marshall, 'Principles of Economics," Book VII., Chap. XII.

likely to be subject to others unnoted, are matters of conjecture. And in truth the ultimate abstract result, the universal general "law," is not of great importance. For its generalization is far away in an uncertain distant future; and what concern us more immediately are the more realizable intermediate phenomena.

Accident and industrial vicissitudes, commercial action, "financial crises" (which are in truth only local or general symptoms of lack of confidence), the unpredictable results of State interference and regulation, and of the workings of trade and labour organizations, each actuated by motives of what they suppose to be in the interests of the particular classes which they respectively represent, but all co-operating unconsciously against the consumer: all these causes are constantly at work, influencing and altering the determination of local values in every country in the world, from the conception of which, as a whole, the idea of "ultimate" or "average" value has to be generalized through space and time. And in the present rudimentary state of human knowledge of phenomena it is entirely premature to lay down any particular relation of antecedent and sequence whatever as a "law," determining value, to the exclusion of other influences, in respect of any one thing or class of things; especially in respect of that entirely subjective conception of confidence which creates the "values" of securities.

The task of a sane science of economics therefore, (quite as abstruse as the thinking apparatus of Man is competent to perform,) is modestly to note the phenomena actually exhibited by values in space and time, what may be called "local and temporary" causes and effects. For the "average value" of a thing nowhere exactly obtains except by mere accidental coincidence. It is not an absurd notion like "intrinsic" value, but an unrealized one, an idealized conception; the real value of an actual concrete thing is determined in a particular place and at a particular time, and not by generalizing conceptions independently of space and time, not by an idealized and average conception of the total capacities of supply and demand in the world, or even of the average cost of production in the world; but by present instances afforded by concrete cases.

When a famine occurs in some province of India (that is to say over the greater part of that country on the average in two years out of every seven), the portentous local increase in the "values" of food products indicates nothing even of the state

of food production throughout the Indian Empire. Famine scarcities may occur in one province concurrently with abundance in another, simply by reason of the imperfection and inadequacy of transport and distribution; for in such places and times, commerce unaided is unequal to the task of adjusting supply to demand, and even the potent machinery of an energetic central government fails to avert famine and disease and a terrible local enhancement of value and price. And so, in respect of every commodity in turn, the surface of the Wealth-ocean incessantly undulates under the stress of local and temporary winds and currents, abnormal temporary demand at one place and time, over-supply at another, producing storms and waves that quite obliterate the horizon of ultimate "average" value; and it is in these troubled waters, still further vexed by a constantly flowing and ebbing tide of the "value" of gold, that industry commerce and finance have to spread their nets and bait their hooks and drag their trawls, while the economist sits on dry land and complacently notes the "great labour" of the fishermen. It comes to this: that no accurate conception can be formed of the influences determining Wealth production or Means accumulation, except by observing in respect of each department of commerce and each instance of the working of finance the actual processes going on around us in various parts of the world. When these have been investigated and analysed sufficiently, there may or may not be some material from which may be inferred "laws," but these assuredly will never be ascertained by any introspective analysis of conceptions.

When one comes to the term "price," one's feet at last touch firm ground. That denotes a concrete function of the abstract variant value, which is its local and momentary expression as measured in money. It is so entirely insusceptible of generalization that even the *à priori* economists have not been able to produce any plausible so-called "law" affecting price. It varies directly with value, it is true. But it has no exact or determinable correspondence with it, because it varies also with another quite independent variant, which is the value of gold as a commodity; and this depends, again, entirely on the supply of the metal available as coinage for the momentary requirements of commerce and finance in the particular place in respect of which the price is fixed. And this, again, varies with the supply of, and demand for, gold in the world in general. For in respect

of this one thing, gold, the demand is infinite, if such a word can properly be used of anything mundane the subject of human activity. At any rate, there is no ascertainable limit to the demand.

Yet, as the material is practically indestructible, and the supply keeps steadily increasing, alternate periods occur throughout which the supply available for coining into money is either pushed to a point beyond the general commercial requirement, or the reverse occurs, and gold is not to hand sufficient to be coined into the total amount of money that is required; and as a natural result, then, the range of prices in general, irrespective altogether of values, tends upwards or downwards as the case may be. If more money is coined than is wanted, more of it is asked for as the price of a pair of shoes or a quarter of wheat, irrespective of the relative values *inter se*, or as compared with other commodities, of shoes or wheat. But a general enhancement or diminution of prices from this cause has no relation to the values of the articles the price of which is so enhanced or diminished, for these are concerned only with their relative desirabilities, which depend on the aggregate beliefs and wishes of men.

Both as regards Value and Price, however, there is a set of antecedents which exercise a supereminent determining influence, and which requires for its adequate appreciation a special paragraph. By the term "monopoly" is denoted the evil of the undue advantage gained by producers when they succeed in holding the consumers at their mercy. There is no need to enlarge on this; it has been denounced as the capital economic crime in the accepted canon by the entire apostolic succession of the professors. Whether fostered by exclusive privilege granted by the State, cherished by the concealment of secret process, or brought about by other insidious devices of the producers themselves, whether accidentally evolved by the natural scarcity of the opportunity of production, or arising naturally from an enhancement of demand beyond the power of the world for the moment to satisfy it, scarcity involves the determination of the curve of value upwards towards its superior limit above referred to—that of need. Under the pressure of "monopoly," in which term it will be found convenient to include all these manifestations of desire in excess of supply—dearness, in fact,—price tends upwards to the point where the cost of satisfying the desire becomes too great to incur, and from that point a

restriction of demand sets in to redress the balance. This leads to wastefulness in production, to the morbid aggrandisement of the producer or set of producers of the thing subjected to the monopoly, to the corresponding impoverishment and oppression of those who need and consume that thing.

But it is passing strange that the inspired people who so eloquently describe all these evils, and denounce "monopoly," have not hitherto been able to perceive that industry is apt, under the influence of a similar unrestricted competition of producers, to be subjected to a corresponding reverse set of dangers of oppression and corruption from the undue preponderance of the economic power of the consumer, just as the consumer is oppressed by the unrestricted avidity of the "monopolist," when he in his turn acquires the upper hand.

Here one catches a glimpse of a fairly deep truth, which seems to forbid unquestioning acquiescence in the proposition which lies as a foundation under the whole edifice of Free Trade dogma —the affirmation of the beneficence of "unrestricted competition." The "Free Trade" minority in America have raised their protest against the "oppression" and "corruption" which have, they say, resulted in the United States from the "monopoly" of producers, fortified behind the entrenchments of a fiscal system devised to secure to home production the exclusive opportunity of supplying home consumption; and their British co-religionists (for, after all, this belief is of the nature of a religion) concur in their protests, and deprecate, as tending to "monopoly," every proposal for import duties in the United Kingdom. Both are right, but both ignore the evil of the vicious counter-extreme. To denominate this it is, that the writer has to employ his one new word. He permits himself to coin a Greek word of doubtful classicality, to designate this undue preponderance of the power of the consumer, which is the exact antithesis of that "monopoleia," which is the unfair prepotence of the producer. It is just as oppressive to the producer to be put under the heel of the consumer by a "Mononesis," * or exclusive power of purchasing, as it is to the consumer to be at the mercy of the producer by reason of a "monopoly," or exclusive power of selling. And whether the power of "mononesis" is exerted by an individual purchaser or a particular set of purchasers, or by a chief

* Μονῶνήδις from Μόνος and ὠνέομαι.

purchasing nation as against the competing producing nations, makes no difference in its oppressive results, any more than whether monopoly has its contrary effect in favour of or against an individual consumer or producer, or a collective set or nation of producers or consumers. From the one arise the oppressions of the extortionate price and the inordinate profit; from the other the misery of the starving wage, and the indirect corruption of an irresistible parasitism.* Mononesis, less consciously acquisitive, and therefore less obviously to be held up to execration than the much-decried "monopoly," is in truth the same iniquity inverted; it is equally selfish and pitiless; and though belauded instead of reprobated by the orthodox pedantry, equally mischievous to the community which is afflicted by it, and equally valuable to that which can secure to itself its benefit and escape its burthen. The true economic polity is that which aims at the suppression within the national borders of the over-dearness of the unduly restricted, and the over-cheapness of the superabundant supply, equally and impartially.

The case of sugar in the West Indies supplies an instance of the protracted operation of this enforced "production at a sacrifice." The only effectual markets for the commodity are England and North America, since, for the protection of the appliances for the extraction of sugar from beet, a brass wall of exclusion has been erected against this commodity in all the countries of continental Europe. And North America has also her native industry to protect, and absorbs but sparingly and grudgingly the minimum necessary quantity to supply the surplus demand of the great union. Over and over again the industry has been at the very point of extinction, and at one moment, in 1902, the British people were compelled to intervene with a dole, to ward off a sudden catastrophe of collapse from their West Indian fellow-subjects and customers. How long the struggle may continue no man can say, but the end of the industry is obvious to every person who has, like the writer, studied the conditions of the problem on the spot. In such a case, who but the producer, as long as he continues to produce (that is, to exist at all), bears the weight of any importation duty which the British Government may think fit to impose on the article: the producer, not only in one, but (by virtue of the effect on world-values) in all producing countries alike which compete for the British market?

* See *post*, Chap. XVII., p. 331.

The fact that sugar can be purchased in London or Glasgow at prices varying between one-half and one-third of the retailing price in the very centres of production points to the counter-effect on the country of consumption. Now theorists dismiss such an instance with a contemptuous shrug, on the ground that this is a mere "evanescent" phase of the "struggle for existence" among producers, which will end in the "survival of the fittest," and the disappearance of the industry, to the eventual benefit of all mankind. Be it so; but then pray remember, that in dealing with all human affairs we are handling essentially the temporary and evanescent only. The permanent and universal are figments of the imagination of the theorist, never have existed and never can exist. The present phase of European civilization itself, whatever possible alternative organization of society is destined to replace it, must sooner or later come to the inevitable transformation which will attend the exhaustion of the coal supply of Europe; and the initial blunder of economic science lies in imagining that it is within its power to deal with the eternal and universal, instead of that with which it is really concerned, the temporary and particular.

From time to time one or another of the products of the world's industry enters into the category of "cheap" things, the production of which is oppressed by the mononesis of inadequate demand; and the redressing of the balance involves a slow agony of readjustment by the gradual extirpation of the industry of the producers. And till the adjustment is complete the consumers of such things continue to enjoy the blessing of "buying in the cheapest market." The reverse process of the gradual mitigation of the monopoly of producers by competition, the "political economists" have made us quite familiar with. Self-interest no doubt points to the desirability of each nation acquiring for itself as against the others the advantages both of a monopoly of the things it produces and a mononesis of the things it consumes, as far as it can. In other words, they all hope that the evils instead of being evanescent, as they are, should be permanent; but that it should be themselves who will continue to be "buying in the cheapest" and "selling in the dearest" market; for in that way they think they can permanently secure the greatest appropriation among themselves of the Means of the world, if such a thing be only possible. No philosopher was needed to enunciate so obvious a truism. And indeed it requires no immense insight

to detect the counter-verity, which in truth is by far the more important to observe. For in a country such as ours, it must be borne in mind that in volume and importance internal trade (by how much no one can say) immensely transcends that which is external, and which is expressed in the accurate figures of Board of Trade returns. And therefore while the "buying in the cheapest market" mainly oppresses those of our own people who produce the things we need, the "selling in the dearest" means the extortion of an extreme price from our own consumers, who all need by far the greater part of the things we produce. From this point of view therefore, the dogma becomes a gospel of mutual extortion.

Waiting to be stated until there has arisen a true statistic of wealth-production lies a series unsolved and unattempted theorems of the future. These will indicate quantitatively the essential interrelations between Wealth and those other parts of Means which consist respectively of the "Money" which represents it and the securities which embody the claims on it.

And from these there will in due course emerge further corollaries explaining the phenomena of values and the commerce and finance to which they give rise, with an accuracy and certainty at present impossible.

With the statement of these theorems Economics will for the first time enter in the phase of an accurate science, in place of being, as now, a tentative enquiry into evanescent phenomena, connected with each other by "laws" which we suspect but cannot verify.

CHAPTER IV

INSTANCES OF WEALTH PRODUCTION

(Mineral)

In the present and five immediately succeeding chapters it is proposed to present a series of examples of the actual processes of Wealth production and Means distribution, chosen mainly with a view of exemplifying in each the action of one or more of the general "laws" regulating all, but the operation of each of which is more strikingly exhibited by one or another process in particular. Each in turn is used, so to say, as a peg on which to hang an exemplification of the action of one or another of the manifold tendencies which influence the economic process. To effect such an analysis exhaustively, so as to exhibit all branches of industry and commerce; above all quantitatively, that is, by analysing and ascertaining the comparative potency of the several determinant influences, would be a task far surpassing the powers of any one man. Something will be attained, however, by a selection, incomplete and inexhaustive, but honestly representative of the bulk. The necessity for undertaking this task of the juxtaposition and comparison of varying processes of Wealth production in various parts of the world may not be at first apparent. It is far less simple and striking, and lends itself less to picturesqueness of treatment, than a portrayal of the demeanour of the imaginary neolithic John bartering with James a bag of barley for a bundle of rabbit skins, which is a sample of the illustrations of the *à priori* economist; but the impartial consideration of things as they are affords a better starting-point from which to ascertain true sequences of actual phenomena than a picturesque presentation of what Mr. Mill imagined once took place. In effect, the writer proposes to attack the consideration of the economics of reality from a direction diametrically opposite to that from which those authors have started who evolved the economics of theory: from examples of the actual concrete complex fact, instead of imaginary applications of

abstract and simple "doctrine." The instances are intended as sources of knowledge, rather than illustrations of principle, and have their value only in so far as they are accurately and adequately descriptive of actual fact. By a process of comparison of actual concrete instances, it will be, it is hoped, possible to obtain an insight into the diverse and in some instances apparently contradictory tendencies that exhibit themselves in the different constituent parts of the sum total of phenomena; in Wealth, the conditions of its production, the manner of its employment and the mode of its distribution.

It is proposed in the first place to deal with the concrete phenomena of the production of actual tangible commodities: material objects of utility susceptible of possession (excluding land and money), which, and which alone, fundamentally constitute the real Wealth of the world. Then, to show the methods of creation and appropriation and the conditions of existence and persistence of the accumulation of Means in the hands of its possessors.

(A) Led by chance or guided by the conclusions of the geologist, some men in Pennsylvania or Borneo, or by the shores of the Caspian Sea, drive an iron tube into the earth at a particular spot by means of a common mechanical contrivance. They tap a huge natural reservoir of petroleum which spurts up through the tube. A pipe-line brings the fluid to a reservoir or to a wharf, and the human energy involved in the production is thus limited, after the borehole is once sunk, to the providing, sinking, and placing of the necessary tubing, the occasional turning of a tap to fill the vessels to contain the oil, and the provision and working of the transporting machinery needed to distribute the product. The result, almost without the intervention of human energy, is a supply of wealth which for copious bounty immensely transcends the greatest return of the most productive coal-mine. This instance has been chosen as the first, by reason of its great simplicity, of the infinitesimal part in the resultant product that can be claimed by human energy, and of the comparatively slight share in the merit which even "Capital" can arrogate to itself. The substance is yielded direct from the stores of Nature; almost undiminished in volume, its resultant wealth is poured into the laps of those who have been fortunate enough to have been permitted by a sleeping State to appropriate to themselves the sources of supply afforded by Nature. The crude substance

certainly undergoes a simple and inexpensive process of treatment by heat, by means of which the constituent hydrocarbons are separated according to their specific gravity and the varying temperatures at which they volatilize; but the cost of effecting this separation and rendering the constituents marketable is a mere negligible minimum compared with the value of the sum of the product, each and every sub-variety of which is an article of worldwide and apparently insatiable demand. From these antecedents spring two noteworthy sequences. The first is, that being practically all profit, the process of production of oil has proved itself the most potent of all industrial instruments for the accumulation of Means.

It provides a volume of enrichment which up to the present day has been equalled by no other mode of industry the world has ever seen; and which has given rise to industrial and financial developments on a correspondingly gigantic scale. The resultant profits accumulate with such rapidity, that they have created for their absorption a correspondingly accelerated process of the multiplication of methods of "investment," swollen beyond the real opportunities of industry, and therefore unwholesome in their result, and giving rise to formidable evils. The persons who dispose of this co-acervation of means are those by whom and for whom fresh contrivances for the enchainment of future industry are unceasingly being invented; and it may not be superfluous to add, that it is precisely in these contrivances that corruption and falsehood, the fabrication of delusive enterprises and similar abuses, find their easiest and most convenient breeding-place. It is the sudden pouring into the lap of the twentieth century of this form of potential energy, accumulated throughout incalculable ages of the bygone history of the planet, which has created this morbid activity of economic and financial process, the far-reaching effects of which have yet to be analysed, if they do not prove to defy analysis altogether. And the apparent contrast between excessive means and abject poverty, which is so potent a factor of the discontent and unrest of society, has been intensified by no cause more potent than the contemplation by the indigent of the huge power thus wielded by the temporary possessors of Means so acquired.

Another point which emerges from the consideration of this mode of Wealth production, is the essential exhaustibility both of Wealth and of Means. If a geologist were possessed of the

necessary data, he could estimate to a nicety the actual cubic contents of every deposit of mineral-oil throughout the world. The supply can never be replaced, and at any given rate of utilization the moment of complete exhaustion could be predicted. This characteristic, of course, mineral-oil shares with coal; but while the latter is a substance susceptible of only comparatively slow and laborious extraction, oil spurts from its hole spontaneously under the pressure of the superincumbent mass of the earth, and the process of its exhaustion is proportionately more accelerated. When this is consummated, what the future is to be of the various industries which have sprung up like mushrooms under its stimulation, it is bewildering to contemplate. Here, however, it is sufficient to note the fact of this characteristic, specially appertaining to this form of industry. In a far lesser degree, it is more or less applicable to all forms in turn, and to the sum-total of the results of all.

Wealth, Means, Capital, Profit, above all Value, the mainspring and index of Economics, all share in the mortality of human institutions. When one form of production dies away, another may or may not arise to take its place; but none is immortal or perpetual. "Es ist dafür gesorgt, dass die Bäume nicht in den Himmel wachsen," which is a true "law of Nature."

(B) In Glamorganshire, or in China, or Westphalia, or in New South Wales, lies, so many hundred feet beneath the surface, a stratum of coal, another reservoir, by no means inexhaustible, of the stored-up energy of the sun exerted in bygone æons in the production of life. The share of Man in rendering the contents of each mine available for the needs of mankind, and therefore an object of value and element of Wealth, consists in digging the pits, devising means of severing the coal from the seam, and transporting it in the required quantities to the places where it can be utilized, and in the carrying out by machinery and by the labour of Man and animals the means so devised. It is by no means necessary to consider in this aspect any conflicting claims to meritorious service put forth to the "right" to participate in the results of the value so obtained, by the State or country within whose borders, or by the "owner" of the plot of land under which the coal-seam is situated, by the mining-company or capitalist who has "leased" the coal, by the respective staffs of workmen and superintendents who have assisted in producing the mining and transporting

machinery, by the ponies and horses that expend their life-force underground in dragging the stuff about, by the organizations that in their turn undertake the complex task of transporting the extracted substance to the various consumers, or by the infinite other agencies whose products have had to be resorted to in order to sustain those engaged in these multifarious branches of the application of energy throughout the world, and provide the various sets of appliances by the aid of which the work is done. All this, the special thesis of the dreamer Marx, will be glanced at in its proper place.

But the result of these infinitely varied operations on this substance created by Nature, is the production by Man of a definite and measurable quantity of Wealth and his accumulation of a less measurable mass of Means. Further on it will be necessary to consider what becomes of all this; for the present the fact of its production is all that has to be noted. But the main purpose for which the production of this particular substance has been cited is to call attention to attributes that it presents in common with many other industries, but in an exceptionally prominent degree. First of all, like petroleum, it possesses, whether in a given country or in the world generally, in a special degree the attribute of exhaustibility. It is true that neither gold nor silver nor other metals, nor even stone, are unlimited in quantity, nor for the matter of that, is the capacity of the earth for producing organic things such as wheat or cotton. But the coal was stored at a particular epoch of the world's growth, and underlies the surface only at definite spots ascertainable to geological science. The need for it, as far as we can see, is likely to be permanent and progressive, the potential supply limited and transitory only—certain, as regards some countries, to cease, not in remote ages, but within a measurable and comparatively short term of years. Jevons'*

* Jevons, "The Coal Question," Chap. XII., p. 241. The following figures are given in the Report of the Coal Commission, 1905. Calculated available resources proved 100,000 million tons; present annual output, 230 million tons; increase of output, 2½% per annum, rising now, however, to 4% per annum, *i.e.*, doubling itself every 25 years with acclerating velocity. Prediction of the duration of the supply therefore practically impossible; but judging from the fact that in a period of extreme trade depression in Europe when the export of every other commodity from the United Kingdom shows a heavy decrease, the export of coal continues to increase, it is difficult to accept the conclusion of the Commissioners that "it is improbable that the present rate of increase can long continue." And note that, given the requisite stimulus of demand, the sinking of new pits to accelerate the output is a step of mere financial detail, which will be assuredly resorted to.

computation made in the early seventies, according to which the coal of Britain was to be practically exhausted within the lifetime of many now living, was founded on incomplete geological ascertainment, but his conclusions of principle are inexpugnable. The respite from the accomplishment of his prediction is but a momentary one; and, for instance, he would be a bold man who would undertake to predict that after the expiration of 150 years from the present, a single ton of coal could be commercially extracted from the rocks underlying British soil. As regards the rest of Europe, it appears probable that the supply is relatively still more restricted and of considerably inferior quality. In other parts of the world the substance presents itself far more copiously, it is true, and over wider areas. To these countries will eventually be transferred the industries depending on coal, probably most in northern China and the slopes of the Alleghany mountains. But in all lands it appears that there is, comparatively speaking, a mere span of time between the present and the moment of exhaustion.

Now though Wealth on the whole is absolutely cosmopolitan, the purpose of the writer* is to appreciate the processes of its production, the workings out of the problems of Economics, mainly as they affect his own country. The industrial conditions of Shantung or Pennsylvania concern him not in the least, except in so far as they react on Yorkshire and Lancashire and the other counties of our Britain. For us, for our industrial purposes, coal is the main source of our mechanical energy and the indispensable means of our future industrial productivity, claims on which, held throughout the world, but mainly by ourselves, form what may be called the British contribution to the aggregate of the Means of men.

It becomes, then, a matter for reflection what steps can be taken in this country for the conservation of this energy for the benefit of future generations of its inhabitants. The steadily increasing demand for British coal to facilitate industrial work in other parts of the world is a claim to exploit the Wealth-resources of a people of one nationality for the purpose of enhancing the production by other peoples of commodities intended for competition with the products of that country, and for lowering the values obtainable, and the remuneration for their workers therein; and if the interests of the whole of

* *Ante*, p. 16.

the people were really at the heart of those who aspire to be called its statesmen, these considerations would override those of their popularity with the comparatively small section of the citizens concerned in producing and exporting coal, and prompt a devising of means by which the transference to other countries of this life-blood of industry could be not only checked but prohibited. Placed beneath the land appropriated by individuals, coal ought to be, and would be had our forefathers only known, the "property" of the State; though in days when the importance of mineral resources was unrealized this property was allowed to be lightly given away. Whatever may be one's opinion as to the "nationalization" of the surface of the land, there is much to be said in favour of the resumption of State control over the minerals underlying it, which many States have been too wise to part with; and it may well be, that in regard to this source of Wealth, the supreme law of public well-being will some day have to be enforced, even to the overriding to some extent of the secondary obligation of the sanctity of individual property; and State control reassumed for the express object of minimising output.

One more consideration from the contemplation of the circumstances attending coal-mining deserves notice; and that is the somewhat paradoxical apparent exception which coal fortunately affords to the general observed sequence, that supply tends to accommodate itself to demand, and that therefore on the whole, and in the long run, it is apt to equalize it, and that therefore the value of an article tends to approximate towards its average cost of production. If the real human being were, as Ricardo imagined him to be, a generalized stockjobber, a mere embodiment of sheer acquisitiveness, the constantly increasing demand for coal would tend to lead to a greater and greater number of persons engaging themselves in the production of it, and for longer and longer hours, till the supply kept pace with the demand, and the temporary value of coal in comparison with other products dwindled into a function of the comparative cost of production; for, for the moment at any rate, and speaking only from year to year, the supply underground, though the exact reverse of inexhaustible, is indefinitely extensible. But a coal-miner is that which Ricardo had no conception of—a real human being. His labour is a painful and unpleasant one, his life one to which it requires long apprenticeship to reconcile him,

full of dangers physical endurance and laborious toil, amid surroundings and in circumstances which would make it almost intolerable to the bulk of mankind. Not only therefore, does he justly claim a higher rate of remuneration for his services than the mere physical expenditure of his force would otherwise entitle him to, but also far more leisure—as much as he can afford to himself by reason of those wages; and he prefers to "play," as it is termed in the north, for as many days in the week as the wages earned in the other days put it in his power to do. So it occurs paradoxically, that in respect of this thing, the sequence of increased demand is diminished production, because wages rise with the price of the commodity, and the miner is not only able to enforce a rise of wages with each enhancement of price, but certain so to use his increased wage as to lessen the number of days in which he is earning, instead of increasing the amount of his output. The result of this habit of mind of the coal-miner in Yorkshire and South Wales, for example, is that a rise in price tends to increase itself automatically, so long as the enhanced demand consequent on "briskness of trade" as it is called, continues to induce it. It begins to fall as the general volume of trade slackens, and then he sets to work to dig more if he has the chance. His prosperity in good times is exaggerated, as is his adversity in bad times, by the circumstances of his exceptional employment. The consideration of the coal-mining industry would not be complete without referring to these exceptional peculiarities.

(C) It is proposed now to pass to another example. This is a South African one. It illustrates so many economic phenomena and indicates the action of so many antecedents that although it will be worth while to consider it at some length, the entire sequences of its exceptional phenomena cannot be exhaustively discussed within convenient limits. Diamond-mines have been discovered at several spots beneath the surface of the earth. At the moment, the main effective source of supply lies under the Veldt, somewhere about the borders of Cape Colony and the Transvaal. The substance which the mines yield is for the moment of great desirability when compared with any other. This value, it is true, is but a transient phenomenon of human vanity and caprice; the stuff itself has no desirability beyond the personal adornment of women; and even for that purpose, is very slightly superior to easily-fabricated imitations. But so

long as certain dealers in the article can contrive to regulate the annual output of the African production, as no rival source of supply comes to hand elsewhere, as the receptivity of American ladies for little bits of this material remains unsaturated; so long will this form of carbon continue to maintain its character of "Wealth" and its gigantic relative desirability. The Diamond exemplifies strikingly and paradoxically (seeing that the material itself is probably the most indestructible of known substances) that evanescent and perishable nature of all Wealth, which, it will be seen, is in the long run* its healthiest and best characteristic. At any moment the day may arrive when the financial engineers of the mining companies, either by reason of continued fresh discoveries of mines, or for any one of a score of other reasons, lose "control of the market." Sooner or later the day *must* come when the apparently inexhaustible demand will have been satisfied, a day which will be accelerated if it should occur that a period of financial distress should impel the possessors of these things to attempt generally to "put them on the market"; and on the day after either of these inevitable things has happened (for there will even afterwards continue some incentive to the "owners" of mines to expend the tiny minimum of labour involved in a continued but unceasingly depreciating production) there will occur such a preponderance of supply that the "value" of diamonds will have disappeared like the precious objects of the vision of Alnaschar, and millions on millions of "values" will have as completely vanished from the face of the world as if they had never existed. A commodity for which there is no demand "is matter in the wrong place," as Lord Palmerston once aptly described dirt. And how diamonds may tend to become dirt is abundantly obvious. For that which sustains the demand for them is just their preciousness and imaginary rarity; confidence, that is, that the supply will permanently continue inadequate to the demand: a confidence which must inevitably sooner or later prove misplaced. No man will buy a diamond at a price beyond that of a similar lump of rock crystal or garnet, unless he has confidence that in the future he will be able at will, if the desire or the need arises, to exchange it at a somewhat similar price for some other morsel of Wealth. A diamond, like a rare picture, is looked upon by its possessor as so much dormant Means put by, available to be converted into an active form

* See *post*, p. 146.

of wealth when need arises. No man will keep a piece of stone which to-day may be convertible for two-thirds of its original price, if he considers that to-morrow it bids fair to be worth but one-third, and the day after but one-thirtieth. It follows therefore that even while the "last arrived" of the millionaires is in the very act of choosing the tiara which is to adorn the brows of his wife, some hitch will have occurred in the arrangements for the control of the output in the Transvaal, or the first consignment of stones from Patagonia will have arrived in Amsterdam, or a crisis will have dethroned a handful of the financial "Kings" of New York. And then suddenly the obvious truth will be realized, that the potential supply of the commodity in the world is more than equal to satisfy the probable demand. From that moment the "value" must begin to drop towards the average prospective cost of the labour of production, which is comparatively minute; not the cost of making the mine, but just what it is going to cost to continue to dig in it. What will then happen will be what in the elegant and expressive language of "Wall Street" is called "slump" in diamonds. As by the waving of a wand, a monopoly will have been converted into a mononesis. And this "slump" must differ *toto cælo* from an ordinary commercial decline in prices—even from the remarkable one, for instance, which the year 1907 witnessed in respect of copper, the price of which at the moment this line is being penned has fallen close on fifty per cent. in two months by a perfectly wholesome and natural market process not essentially dissimilar to that above indicated. But the "slump" in diamonds will be differentiated by its exaggerated intensity, its still greater rapidity of incidence and, above all, by its comparative irretrievability. Diamonds are not, like copper, a material susceptible of almost indefinite utilization in scores of arts and industrial processes, and not only capable but economically certain of a recovery in value by the enhancement of the consumption and demand that in the natural course of things must follow on the cheapening of the commodity and the industrial re-adjustment of the demand to the supply. And here comes the cream of the paradox. It is precisely *because* of the durability of the diamond, a consequence of its indestructibility, *because* it is incapable of being utilized in the industrial process, in other words consumed, that the wealth arising from its production and the dormant means incident to its possession have this evanescent and

momentary character. While the demand continues, the wealth accruing to the producers will continue to accumulate, and the surplus over cost of production will become Means. In due time the balance will be redressed. The then possessors of diamonds, the then shareholders in diamond-mining companies, will realize the worthlessness of the Means they have imagined themselves to be permanently in possession of; with one accord they will flock to market to sell, and Means, the amount of which will not have been increased, but only temporarily transferred by their activity, will leave diamond-producing alone, and transfer itself to some other mode and object of production. As a sequence of the cessation of the employment of capital in the extraction of diamonds from the earth, it is conceivable that in the course of time this form of industry may ultimately revive for a period, and give rise to a fresh temporary "creation" of Means, again in due course to disappear. "E da capo."

(D) Bulk for bulk, the most startling example, the most colossal value of all conceivable commodities, is that displayed by the substance known as radium. If a few pounds avoirdupois could be successfully produced, and came into the hands of competent skilled persons for scientific application, the Wealth and Means attainable by its employment might conceivably make the millions of an oil magnate or a "diamond king" shrink into nothing by comparison; and the potential energy evolved from it would reach figures of force and value that it staggers the human intellect to contemplate. But given the requisite apparatus, the procuring of which would be a matter of comparatively trifling expenditure, and a sufficient supply of pitch-blende or some other rock containing the metal, there is no conceivable reason why Madame Curie with five or six fairly skilled chemical assistants and a few artisan servitors, the value of the labour of whose expended energy might amount possibly to even so much as £100 per annum apiece, should not, by the use of carefully-devised and intelligently-constructed apparatus for manipulating, storing, and transporting so potent an agent, make industrially available an amount of wealth of infinitely greater potentiality of energy, and therefore of value, than any comparable bulk of any other commodity of the world. Here the source of the Wealth is the rock, in which by some mysteriously obscure chemical reaction far away in the æons when the planet was first congealing into form from the nebula of its origin, Nature

incorporated the element (if it is an element). The actual human energy concerned in production is so relatively infinitesimal as to be insusceptible of comparative valuation; and though the mental achievements involved in conceiving and the dexterity needed in superintending the difficult and delicate process of the extraction may be very great, still it would in the given case be more than adequately rewarded by the concession of but a trifling proportion of the enormous wealth produced by its means, if merit were ever to become the real method by which the distribution of profit is determined.

(E) The earth in the Malay Peninsula, and in certain of the islands which lie to the south-east of it, is, at depths from the surface varying from ten to thirty or forty feet, coated with a layer of "cassiterite," which is a very easily reducible chemical modification of the metallic element tin. The industry involved in the process of the extraction and utilization of this substance is of the simplest conceivable character. Measured by the standard of wage at which Chinese coolies will gladly supply the human labour, there is probably no substance except petroleum which is capable of being removed and prepared and offered for use at a so trifling expenditure of human energy as "drift" tin. And though, compared with other metallic substances, the area of the globe which furnishes the supply of the raw material is singularly restricted, yet but little of that area has as yet been practically exploited, and many times more diggings can be located in it than are at present in operation. The ingenuity and mechanical contrivance needed for its extraction are probably less in proportion to its bulk than in the case of any other commodity except petroleum. Tin is a metal used in industry, in such a manner that it is not susceptible of being retrieved after being utilized: it is quite consumable. There is no store of tin already produced which, like scrap-iron or objects made of copper, can be put through the furnace and re-cast into ingots, for its economic use is mainly that of being rolled into exceedingly thin sheets for the covering of what is known as tin plate; and once so utilized it is irrecoverable. The mode of production of the metal consists simply in removing the superposed clay, scraping up the layer of cassiterite with the rudest appliances, and passing it through the moderate heat of a very simple furnace to be cast into ingots. In respect to the simplicity of its preparation, in fact, tin only yields to platinum, which has not yet been discovered in chemical

combination at all. For how long, and for what reason, under these circumstances is metallic tin to remain a substance commanding, weight for weight, twice the price of copper? This appears at first sight a difficult problem to solve, but in reality the explanation involves no particular mystery, and presents no exception to the general rule of supply and demand. The value of every commodity is momentary, changeable, evanescent, in truth subjective only. In the case of tin it maintains its level from a variety of local conditions affecting the spots whence it is obtained, which are perfectly well understood there, though it is not possible to indicate them within convenient limits in a book like the present. Chief among them is what may be termed the irresponsiveness to stimulus; * the economic *vis inertiæ*, which is the sluggishness, in some instances most obstinate, with which both capital and labour adapt themselves to fresh conditions. The digging of drift tin is a disagreeable employment which only the unfastidious Chinese care to undertake, and even of these it has not yet been found practicable to increase the supply to the extent needed to cope with the demand. And it is for the present, and will for years remain, the true policy of the governments concerned rather to restrict than encourage production for reasons which it is unnecessary to explain. In the meantime tin is Wealth, and a very important source of Means. And the special characteristics of its production, above noted, are to some extent shared by other commodities, and indicate some of the many conditions under which industrial production has to be carried on throughout the world's area.

(F) With iron begin the rudiments of modern civilization. Our earliest historical glimpse of Greek history shows us the metal as a rare and precious gift, quite beyond the reach of common need, and imported from the land of the "Chalybes" as a precious article of commerce. Though iron ore is among the most widely-spread of the mineral constituents of the earth, it is one of those which demand the greatest proportion both of natural and human energy for the production of its metallic ingredient, iron (in which term is included the special chemical modification known as steel).

The literature of the iron industry would fill many a library. The facts of it are accessible to all who can understand the language in which they are described, and to repeat any of them

* Bagehot, "Economic Studies," No. III., Part II., p. 153.

would be a superfluous impertinence. Dealing for the moment only with the crude products, iron and steel, in ingots and bars, it is sufficient to say that they constitute a commodity of prime importance; for they are that out of which must be constructed the great bulk of tools, implements, machinery, and appliances which are the indispensable elements of production and distribution. Now of iron, it will be observed that there is no conceivable limit to the facility of producing it in any required quantity, and that therefore its actual cost of production and therefore capacity of supply relative to demand, determine to a great extent its value and price, which are therefore in the main a function of the number of units of labour value that go to produce the unit of supply.

In respect of this commodity, therefore, the dictum of Adam Smith approaches the certainty of an axiom. Allowance being made for causes of variation, it is approximately true of iron that when subjected to analysis its exchangeable value will be found a function of the extent to which human energy in its various combinations has built up in the past and will have to be employed to build up in the future, the organizations devoted to production; in the past, because the co-operation of an indefinitely back-reaching succession of industries has had to be availed of; in the future, because it is not the cost at which a thing *has* been produced which determines its price, but the cost at which it is expected to be possible to replace the thing when consumed. The cheapening of products by improved methods of production, or new facilities of manufacture; the effects arising from scarcity or increased cost, take place retrospectively, so to say, as soon as the new condition manifests itself. The price of iron in a given country, or in the world (for this and the things made of it are among the most cosmopolitan of all products), must, because of its universal necessity in processes of manufacture, seriously influence the prices of all other commodities. But as to what extent quantitatively in any particular case—still more in general—it is impossible to afford any light. The analysis is far too intricate for human ingenuity.

Iron and coal are economically considered the chief instruments of human production. In the earlier part of the nineteenth century they were imagined to be products the monopoly of which had been assigned by Providence to certain portions of the little island of Great Britain. Now it turns out that Nature was

more generous and less exclusively British in its purposes and in its original conception of adapting the planet to the use of mankind than had been supposed. But we are still struggling with some of the effects of what is known as the "Manchester school" of economics, which founded its optimistic doctrine of "Laissez faire" (so closely allied to Anarchism, if one could only see it) on the tacit assumption that "Providence intended" all manufacturing industry to be a special prerogative of the British nation, and of Lancashire in particular, and that that intention would be obediently carried out in the world in *sæcula sæculorum*, if only the sacred purposes of Nature were left to work themselves out without the interference of any legislation or regulation by any State whatsoever, and unrestricted opportunity were given to human acquisitiveness to fulfil throughout the world its appointed function of buying in the cheapest market, which would for ever be Manchester.

(G) The consideration of the phenomena attendant on the production of Gold is a necessary step in the appreciation of economic fact, and it is indispensable to reckon with it in any attempt to analyse financial commercial and industrial process. The chief use of the metal is one which eliminates by far the greater part of it after it has become so applied, from the category of "Wealth," in the sense of its then remaining a commodity to be counted as part of the Wealth of the world; it is physically transmuted into Money, which is Means, not Wealth. The circumstances of its production are entirely within common knowledge. The fascination of romance attaches to stories of the sudden discoveries of "pockets" of this material in the form of alluvial deposit. Another set of equally interesting notions and a prodigious amount of speculation and of that dishonesty which is its inevitable concomitant, attach to the more modern forms of industry involved in Gold production from veins in the quartz in which the metal was left congealed in the early days of the planet. We are concerned neither with the adventures of gold-seekers nor with the flotation of companies nor the devices of Johannesburg, but with the economic facts attendant on production.

In contrast with Iron, which either the caprice or some mysterious foresight of Nature has placed in the soil of every land, and very generally in proximity to centres of population; and with coal, which is to be found in all those parts of the earth

where a particular section of the secondary geological epoch is accessible within certain limits of vertical depth, Gold has been in modern times discovered always in localities remote from centres of population for the time being. It may be that this is the consequence of the deposits nearer the Mediterranean, which was the centre of the civilization of the earliest times, having become exhausted by early and unrecorded exploration; for history does not go back to a time when the acquisition of Gold was not a ruling avidity of mankind. All forms of mining industry share the attributes of unpleasantness and hardship; and there is great similarity between the operations of tin-mining and gold-mining, both conducted either by following veins or lodes in rock of the primary epoch, or by grubbing in its detritus by the labour of those to whom the magnitude of the reward suffices to overcome the deterrent hardship and unpleasantness. And to a great extent this labour is recruited among what we are pleased to call "inferior races," *i.e.*, people of different complexions to ourselves, habituated to a lower standard of comfort or a higher one of endurance, Asiatic and African people. But in mining for Gold, which is followed in the veins to formidable and inconvenient depths beneath the surface, a very elaborate and scientific application of human knowledge and a considerable expenditure of means in various forms is essential. Much special and elaborate apparatus, mechanical and chemical, is also required for the extraction out of the rock of its metallic constituents, which are often very "stubborn," as it is called, and the presence of which is measurable by the pennyweight per ton, and of which a proportion of so much as half a pound troy to the ton in any spot confers on the fortunate proprietors of the mine, to quote Dr. Johnson, "potentialities of opulence beyond the dreams of avarice."

No commodity can be conceived of which possesses the unthinkable attribute of intrinsic value. But Gold has this distinction among all things, that in consequence of its main use, it possesses, alone among commodities, an intrinsic *price;* that is to say, every pound Troy "is worth," within a few pence one way or the other, £46 16*s.*, or 468 yen, or 936 marks, or 1,170 francs, as the case may be, in England, Japan, Germany or France, and will continue (just so long as Gold is used as the standard material for money) exchangeable at will in any of these countries into the bits of coin made out of it; these in turn

being convertible into any desired product of industry or claim on the products of industry that the owners of them require, precisely to the amount in value so represented. If Gold were demonetized, it would become like silver, a commodity like another, capable of use in certain arts and processes of minor importance, such as jewellery and ornamentation, dentistry, and to some extent for chemical purposes, but its "value" would then be regulated like that of other commodities, exactly by its relative desirability for such uses; and then the quest for it would be limited to the procuring of the amount necessary to supply the demand of mankind for these limited purposes; or, more probably, would cease altogether, for abundant stores of the material already extracted would then be available, more than sufficient to supply these uses for an indefinite time, the thing being indestructible.

(H) It would be disrespectful to a dethroned monarch to omit a short reference to Silver, Gold's sister noble metal "in reduced circumstances." One may congratulate oneself that the inexpressibly weary controversy with which the dreaded word "bi-metallism" was once associated is a nightmare of the past. It is but a short time since this thesis appeared to subtend an arc of the mental horizon of economics as great as that which at the moment of writing is occupied by its momentary successor on the stage, "collectivism." In these days of the rapid puncturing of balloons, there is, outside of lunatic asylums, "none so poor to do reverence" to Silver. Yet "silver prices" survive as an instrument of potency in determining values costs of production and possibilities of supply and local demand, not only in the Far East, where in one great empire the silver standard of currency still obtains, but in the world generally, as the result of their effects on values production and commerce, in so far as the products of the East and the commodities imported into eastern lands enter into the world competition, and are determining factors of commercial values. Fortunately for the sanity of economics, the efficiency of this variant is disappearing, one may almost say hourly, and for the purposes of practical economic prognosis, Silver, though it shares with bronze nickel and small pieces of paper the distinction of being commonly used as a material on which to impress or imprint characters denoting conventional monetary values for the convenient purpose of passing as small change, has come, or will almost immediately

come, to be regarded as a mere commodity, side by side with its twin-brother Lead.

Silver and lead occupy towards each other the curious relation that each in its turn is a by-product of the industry mainly directed to the object of producing the other. Almost invariably they are found in juxtaposition in the same ore, and for commercial purposes have to be separated from each other by a special process of divorcement. In fact, one is led to suspect an obscure elemental identity somewhat akin to that which has apparently been established between radium and helium. In a lead mine you have to eliminate the silver, and in a silver mine the lead, so that the one cannot be produced without the corresponding production of the other, and the effect of this is to induce in respect of these two metals a curious deviation from the general rule that the production of any commodity tends on the whole to adjust itself to the commercial demand. They suggest the astronomical phenomenon of a twin star like "Algol" (which a more popular than accurate authoress once called a "planet"): the darker twin periodically obscuring the brighter one. What is known as a "high-grade" silver mine it will always be worth while to work, because the demand for the material is very extended, and capable of further extension with the progress of art and industry. A "low-grade" silver mine may contain ore which, though admixed with lead, holds it in such small proportions as to be insusceptible of profitable extraction, and then that mine will be "shut down" till the demand for silver as a commodity is enhanced. On the other hand, many "high-grade" lead mines contain silver in such considerable quantities that though silver may continue to depreciate in the markets of the world, it must continue to be produced from them as an incidental by-product of the lead industry. With regard either to the values or the production of these metals there is nothing further to be said of interest to the economist. But in respect of price, both exhibit, it may be noted, a more or less barometric indication of the local and temporary abundance or scarcity of gold. Probably no one of the other commodities of the world reflects this with such instantaneous responsiveness as silver, which of the two materials is the less in volume but more abundantly obtainable in proportion to the demand for it, and less susceptible of being absorbed by the larger processes of industry. The price of silver oscillates, therefore, with the

greater rapidity inversely to the need for gold coin, and affords to the spectator an example of a self-recording micrometer of financial pressure.

With these examples it is necessary to take leave of those simple processes of Wealth-production which are concerned in the genesis of that part of Wealth which derives directly from the bowels of the earth.

CHAPTER V

INSTANCES OF WEALTH PRODUCTION—(*continued*)

Animal and Vegetable Products

(I) Meat, fish, hides and leather, furs, feathers, wool, silk, dairy produce, and a great number of other substances may all be classed for the purposes of economics as objects resulting from the primeval occupations of mankind, the hunting and the pastoral. All have this quality in common, that in them both the quantities of human energy and of human capital requiring to be expended relatively to the value of the product are comparatively slight, and the "cost of production" and the "average labour involved in production" intervene to a minimum extent in determining values. They are direct products of the reproductiveness of animal life, made available for human needs with the minimum expenditure of the energy of Man; in which the intervention of natural forces attains its maximum effectiveness and the share of mankind is shown at its minimum. In respect of some of these things, notably wool and silk, it is true that they are eventually made available for use by intricate manufacturing processes, and the ultimate products partake of the special characteristics that are later on to be noticed with respect to "Manufactures," especially as to the participation in the creation of their ultimate value, of Means embodied in the "Capital" of specialized machinery, and of energy in that of an extensive organization of labour and superintendence. And their values are determined according to another set of "laws" superimposed on those observable in respect of the origin of the "raw material," which only enters as one factor in the result. Apart from this, animal products, looked upon as commodities, whether for actual consumption as food or for use as raw materials available for manufacture, are noticeable for the small degree in which the ingredient of human energy, either in the shape of work or in the stored form "Capital," concurs in their production. As to the quantitative extent which this group of

commodities counts for in the sum total of the "Wealth of the world," it is difficult to hazard a guess. In the older days of communities known to history, and indeed in the actual condition of life of some of the more backward "unsophisticated" races of to-day, such as the Bantus of Africa, they formed and form the main body of "Wealth"; as witness the use to this day of the words "pecunia" and its derivative "pecuniary" to denote money and that which appertains to it. There is no need in respect to this group of articles to follow in detail any of the immensely varied and interesting processes of production. To do so would be a waste of time from the economic, though vastly interesting from the anthropological point of view, a *résumé* of such of the existing human economic processes as are survivals of the days when hunting and pastoral pursuits were the chief forms of the industry of Man.

With regard to their character as Wealth, some of these products exhibit in a marked degree the characteristic of perishableness. They are produced from moment to moment to satisfy the momentary commercial requirements of humanity, that is to say, its "purchasing" power. In no department of industry do demand and supply so directly and instantaneously affect each other, as in some; supply stimulating demand by increased facility and cheapness of acquisition, and demand directly expanding and inducing supply, by the increased encouragement to produce. In respect of such things, for example, as animal food in any form, an over-supply is obviously insusceptible of value; for nobody wants it commercially, though many pine unavailingly for a greater gratuitous supply. With regard to certain of the vegetable products, on the other hand, they are, as will be seen, signally sluggish in their response to the influence of shifting values.

Circumstances are in some cases such, that the production can be arrested automatically and almost instantaneously as the demand slackens, and accelerated with almost as great rapidity as it becomes enhanced.* The pitiful processions of pigs to Chicago can be retarded and accelerated at will by telegraph at any point, inasmuch as bacon in the potential form does not deteriorate rapidly. Of no other group of commodities can this be predicated quite to the same extent. And the consequence of this is that,

* This is not true of fish or "game," the prices of which accordingly oscillate at the market with phenomenal rapidity.

relatively to wheat, which is less perishable and the cultivation and yield of which throughout the world is dependent upon a greater variety of natural and artificial causes, slower in operation, the animal constituents of human food are, as regards value and price, less susceptible of variation beyond what is due to local accidental fluctuations of a few days' or hours' duration. Their "prices," judged on the average of months and of years, are equally sensitive with those of other commodities to the rise and fall consequent on the greater or less production of gold in the world; but their average relative values are comparatively far more stable.

(J) As a type of the commodities produced by agricultural industry, it will be most convenient in the first instance to deal with Wheat. With regard to the value of this product, the first and most striking characteristic is its absolute internationality. The stream and tide of the main staple food of Man flows from various parts to the principal centres of consumption, with a volume and force comparable with the great equatorial and polar currents of the sea. In Europe the production on the whole is and must be increasingly inadequate to the demand, most obviously so in Britain, which grows about one-seventh of the weight required for its own consumption. In the great wheat countries of North and South America and Australia the supply must continue for a long time in excess; and the main streams from these countries converge somewhere in the neighbourhood of the parts of Europe bordering on the Channel and the North Sea. This is the track of the flow at the present moment; hereafter in due course other routes will develop themselves and other channels be opened.

The relative proportions in which human energy and the forces of Nature co-operate in the production of this article it would be hard indeed to determine quantitatively. The material is one which appears in the market in the state most completely unmodified from that in which it is produced from the hand of Nature. Nor is the process of production one in which human energy intervenes beyond a very limited extent indeed. Wheat is not, like the banana—another important article of food—a practically spontaneous gift of Nature which demands no industry of Man, beyond the simple clearing and occasional rough-weeding of a fertile land in a tropical country and the "dibbling" in of a row of suckers; and of which three-fourths of the price to the consumer represents the cost and profit of transportation and

distribution. But when we come to compare Wheat with any product of what is termed "manufacturing industry," we perceive how modest in comparison is the claim of the hand of Man to merit. A thousand acres in a western province of Canada, already cleared by Nature for the most part, are enclosed by a rude fence. Apart from the trivial labour of a few farm hands, human energy concurs in the production mainly in the concrete form of the implements, the production of the machine-maker, which are used for ploughing, sowing, reaping, threshing, harrowing, and winnowing. Man is but the tender and servant of these machines, and these form part of the "Capital" of the farmer, commodities which he has acquired by purchase out of that portion of his means which he has devoted to processes of production. Modern controversy invites us to examine, and dissect, so to say, this "Capital" again into its constituents. The polemics of "collectivism" keep on propounding the riddle: to which agent, capital, or energy, are we to attribute the result in each case, and in what proportions? And if to capital, of what does that capital consist beyond labour?* This favourite thesis of the *à priori* school of economists seems to the inquirer into actual phenomena an extremely futile enigma. But he is challenged to its solution by the claim put forward by controversialists that all "Wealth" is the "creation" of "labour," and "ought" to be divided entirely among those engaged in its production. A fair concrete instance by which to test the validity of this abstract chain of reasoning is afforded by the part which "Capital" in the form of machinery plays in the production of Wheat. The farmer buys his machines from the manufacturer, he in his turn obtains his materials from the mines and from the woods, and his own tools from the cutler, by purchase at what may or may not have been an adequate price, but certainly at a price regulated by contract and presumably satisfactory to the producer; and if there is any meaning in words, they are the "property" of the purchaser. The producer has turned out his machines partly by the employment of other machinery which he in his turn has acquired by his capital, and partly by use of a certain amount of skilled and unskilled labour, which may or may not have been satisfactorily remunerated. But this, too, has been bought and hired according to a scheme of

* Mill, "Principles of Political Economy," Book I., Chap. V., § 4. See also Book I., Chap. IV., § 1

price and wage agreed upon; and if there is any meaning in the word "property" the result of that labour is equally his property, to be dealt with as he thinks fit; and in exchange for the Means of the farmer all these in their turn have been ultimately appropriated by him and form the effectual instruments by means of which he intends to set to work to assist the sun to extract the Wheat from the soil of the Prairie. Now, dealing with the very extreme "collectivist" thesis that "property" should be abolished altogether, and wealth divided entirely among its producers, according, not to their means of purchasing it (because they are to have no "Means," "Means" being but another word for the Capital which is to be abolished), but to their needs; to whose needs "ought" to be apportioned 50,000 or so quarters of wheat which the sun acting on a particular patch of land has yielded to the hands of the man who has undertaken the duty of growing and marketing? Are they to go to him and his two or three hired labourers, to those who have produced the clothes they have worn and the food they have eaten while they were waiting for the corn, to the machine-maker, or to those who have worked for the cutler, the iron-founder, and the coal-mining company, or the dealer in timber through whose agency he in his turn has obtained the requisites for his production; or are we to go on for ever resolving capital into labour backward and backward again to the beginning of time? or is the actual share of each human agent in the production to be ignored, and the product taken by force from the farmer and poured into a Canadian treasury to be distributed among Canadians; or why not into a world-reservoir for the benefit of the human race; and when or how it is to be dealt with? And how is the farmer going to be compelled to recommence his labour when the long hard winter has passed by? Obviously he and his men have had for their sustenance and clothing to avail themselves of labour and materials produced throughout the world from a variety of sources and with an intricacy of origin which surpasses the wit of man even to conceive. Should the producers of each in their turn have no part in the largesse? Will not, therefore, an international council of distribution have to be called in for the apportionment, and to determine to what individuals and what country any given product of industry is to be attributed and how distributed? And who is to stand forth and give a receipt for the share of bygone generations of men,

from the beginning, who have all in their time contributed to this very production, and then died long before the result of their energy has become available?

What is true of Wheat is so nearly true of the rest of the cereal products that nothing instructive can be gained by enumerating *seriatim* the cases of their production. In each and all the main productive energy is that of the sun exerted on the soil; and Nature and circumstance impose in respect of each and all the same bounds to any rapid increase of supply to cope with an increasing demand. Nor is it possible (as is the case with many of the products of the animal world and to a greater degree still with manufactured articles) rapidly to enhance or arrest supply so as to accommodate it to a temporarily increased or restricted demand; for the productive agency must go on producing or perish. Consequently cereal food-stuffs tend to vary more persistently and for longer periods, in respect of value, than is the case with the majority of commodities; they are in a high degree, that is, irresponsive to the more immediate economical stimulus or retardation of supply and demand. So it naturally comes about that they form the illustration of the economic process most favoured by politicians; who never weary of drawing deductions of the well-being of this class or that, of the cost of living, the adequacy of wages, and various social topics of importance, by telling illustrations drawn mainly from the "prices" of wheat and bread at such and such places, such and such times, and under such and such conditions actual or imaginary. And all these are incurably fallacious; for they seek to establish results by the use of an impressive and popular standard, which is in itself exceptionally fluctuating, and of the result of varying factors the relative potency of which it is impossible to determine.

Bad and good seasons, the opening up of one source of supply or the shutting down of another, alterations in facilities of transport and in the distribution and in the local urgencies of consumption and demand, these and scores of other antecedents combine to affect the price of wheat and bread in any particular set of markets, not only to a degree beyond that of most other commodities, but in a manner considerably more permanent in its result; and none of such adventitious and temporary causes ever meet with recognition on the part of those who wish to ascribe the temporary rise or fall in price of this particular

commodity entirely to some political measure which they have carried or unsuccessfully opposed, or which they advocate or reject; or to some particular law or institution which they aim at persuading people to assist them in establishing or overturning. The price of wheat accordingly is a favourite plaything of the suffrage-seeking politician; the "big and little loaf," his most cherished symbol and illustration of economic soundness, the most delusive and economically valueless criterion imaginable.

Another point should be glanced at before commencing the consideration of another industry, and that is the interesting contradiction which all cereal products afford to the notion that value essentially and inevitably conforms to the "cost of production."* When Mr. Mill emitted this theory, had he, for example, considered two very important articles of food, wheat and rye, one of which per given weight has permanently maintained the value of rather more than twice that of the other? For both are cultivated by exactly the same methods and involve exactly the same amount of labour in their production. Did the excellent Mr. Marx† when he laid down the almost identical proposition that the value of every commodity is a mere measure of the amount of the "labour required" "on the average" to produce it, ever realize what occurs in the case of the two main staple articles of food, wheat and rice? No one who has observed the processes of rice-culture in Southern and Eastern Asia will have failed to note that for the production of a given weight of rice, eight or nine times the amount of direct human labour not only has gone, but is needed, than goes to the same weight of wheat. Every rice-patch is artificially created by an intricate and immensely laborious system of irrigation which expands the valleys upwards to the crests of the hills, applying itself to accurately and laboriously levelled tiny patches of ground in the little area of each man's holding, patch by patch, rill by rill, and hour by hour. Every blade of the plant is inserted by hand into the precise spot in each of the little fifty-foot trays of accurately levelled mud into which each man's patch of cultivation is divided, and in which it is to grow and ripen. Year in and year out the Javanese peasant his wife and children may be seen stooping over the same little patch, incessantly labouring. But the price

* Mill, "Principles of Political Economy," Book III., Chap. VI., § 1. See also Ricardo, "Principles of Political Economy and Taxation," Chap. I., § 1.

† "Capital," Vol. I., pp. 6, 7.

and value of rice in the market of the world is about one-half that of wheat, which is practically all sown wholesale by machinery in a few days of the Spring, and reaped by machinery in a few days of the Autumn, and left to Nature for the rest of the year.

(K) Few applications of energy have excited more attention or given rise to more acute controversy than the production of sugar; and of late years especially, the vicissitudes of this industry have claimed in particular not only the attention of thinkers and the intervention of the State, but even the activities of diplomacy. Sugar can be produced at will from the cane in tropical and the beet in temperate climates; that is to say, the area of land fit for cultivation is, relatively to the demand, everywhere practically unlimited. But the methods of production are exceptionally expensive, to a degree greatly exceeding that of any other staple vegetable-product whatever. This affects supply. As to demand, it is believed that this potentially is susceptible of almost indefinite increase. Physicians say that the world consumes far too little sugar for its general health, and economists have not failed to note that populations are exceedingly ready to respond by an increased consumption to any increased cheapness and facility of production. But sugar is a substance which happens to be, even at the lowest price which it has reached, particularly valuable in comparison to its bulk; and possibly for that reason has been selected by the State as a commodity specially pointed out for taxation, generally to the extent of a proportion of its value more excessive than is the case with regard to any other products, except tobacco and alcohol. The result has been that the industry has been constantly subjected to a variety of State interferences entirely outside the scope of spontaneously arising industrial vicissitudes; and this has brought upon people engaged in it a series of experiences probably more perplexing and difficult to meet than has been the case with any other known industry, with the possible exception of that which concerns itself with the fermentation and distillation of alcoholic drink. At no time since the abolition of slavery in British possessions has sugar been left to work out its destiny for itself under the operation of the ordinary laws of supply and demand; it has constantly been artificially encouraged in one form, penalized in another, and the conditions of its production and distribution unceasingly meddled

with by the action of the State; it has been the sport and plaything of financiers and statesmen and politicians; but the material agricultural and industrial processes involved are worth noting as indicating outside of these complicated and potent external disturbing influences some special features.

In the first place, a peculiarity of the process is, that it is fatal to arrest it from the moment when the beet-root is hoed up or the sugar-cane is cut, till the finished product is turned out. The "saccharine" deteriorates in the root or stem with such immense rapidity by the chemical reaction known as "reversion," that the agricultural and manufacturing operations must be carried on if not on the same spot, at least within a few minutes' distance from each other; and however skilful and competent, no person can engage in the agricultural part of the production without either he himself has, or some immediate neighbour can put at his disposal within a very few hours of the reaping of the crop, the complicated machinery needed for the extraction of the sugar. An immense initial expenditure of capital is, therefore, a pre-requisite for the industry. Not only that, but the work to be done by that machinery is so severe that the material appliances wear out and become useless within a relatively short period of their acquisition, and yearly renewals on a large scale must of necessity be provided out of yearly gross profits, for the "capital account" has to be closed at a very early period. The constant demand on means is carried still further, for there is keen competition in production, and great ingenuity is expended in the discovery of new contrivances both for extraction and crystallization, and it is indispensable to the manufacturer desirous of keeping his place in the commercial organization, that he should avail himself immediately of the cheapest and most improved form of appliances, and he cannot afford to wait to replace his machinery till it has worn out. Long before that it has become obsolete. Improvements have to be effected from year to year. If there be added to these deterrent considerations the fact above adverted to, that the value of the product is being constantly and unexpectedly interfered with by State action, generally prompted by every conceivable consideration other than the interest of the producer, the conclusion will be arrived at, that the outlook for those whose capital is irretrievably embarked in the industry is not altogether one which they can regard with complacency.

With regard to sugar produced from the cane, there is the further difficulty that the agricultural process is one which persons of European origin cannot endure. It is so exhausting and painful that, except under the pressure of great necessity (as in Barbados), in the desuetude of the compelling inducement of the impending lash, the West Indian negro refuses it; and in Demerara and the Antilles, Asiatics have to be imported by the shipload, and distributed annually in gangs among the planters; and even when they have arrived, they must be constrained to perform the contractual obligation of their service for a term, by stringent laws and the employment of an army of agents, inspectors, and policemen. (By how great an interval all this differentiates from slavery the impartial critic would find it hard to discriminate.) The cost of all this organization cannot be borne by the "planters," and under various pretexts has necessarily to be defrayed by the State out of taxation. Thus the growing and making of sugar affords the first example of what Mr. Sidney Webb has happily defined as a "parasitic" industry*: an industry, that is, which depends for the possibility of its continuance on the contributions of persons outside of it. Nor is this parasitism confined to the tropics. The European producer, no less than his West Indian competitor, is the object of the care of the State and the recipient of solid subvention from State resources. For a variety of reasons, many of them of weight, the governments of countries in Europe which produce sugar have found it expedient to foster and "protect" that particular form of industry above every other; especially by the general imposition of import-duties avowedly so adjusted as to exclude from the markets of those countries all possible competition from without; and again, until quite recently in some countries, and even to the present moment in others, the cultivation and manufacture have been and still are encouraged in addition by liberal appropriations of State funds in the form of "bounties on production." As to the wisdom and convenience of such arrangements, the authorities of each State, even if not the best judges, are undoubtedly the most competent to appreciate the practical arguments; and the result, of course, is that prices within these countries are artificially raised, and the general demand of the world correspondingly diminished. A momentary truce has led to a

* "Industrial Democracy," Part III., Chap. III. D.

diminution in some countries of these forms of very expensive competitive stimulation, by which the European sugar industry has been thus brought to feed at the trencher of the State. But the whole phenomenon presents an example of parasitism pure and unadulterated; the worst feature of which is that it is probably futile. For it may be pretty confidently predicted that "in the long run" it will prove unavailing against the superior productive capacity of other centres of production.

Now, with regard to industries which are termed "parasitic," it may be noted that the term, though apt enough, is designedly an opprobrious one. Mr. Webb used it for the express purpose of exciting public disapproval of certain modes of exploiting the necessities of the poor by employing labour at inadequate wages, against which he was engaged in protesting; and in endeavouring to enlist public sympathy in a laudable if rather unpromising struggle, artificially to "protect" labour, and invoke the direct action of the State against the prosecution of industries that can only flourish on an insufficient wage-scale. "Parasitism" is in truth an unsavoury but apparently inevitable concomitant of "Free Trade" when this encourages mononesis, and pants for its "cheapest market."

It is impossible to depolarise the expression "parasitic"; yet most difficult to substitute some equally applicable term, clear of condemnatory connotation. In itself, in sober truth, an industry is neither the better nor the worse for being "parasitic," *i.e.*, subscribed to, in its effects on the general welfare. The subscribers themselves are best able to judge whether their subscriptions should be continued; and the good or ill effect of the subscription is by no means so easy to predicate in general as Mr. Webb found it when he invited the British public to a seat by him on the bench when he sate in judgment on the particular case of the "sweaters" in the east of London.*

Indeed, all forms of "Protection" are, like those of "Free Trade," essentially "parasitic." There is no need at this point to pronounce definitely for or against a "protective" policy,

* As to "parasitism," in very truth we are all parasites alike—that is the universal law of life; that each order and class of beings exists on the others, and that each grade and sub-class of each order is dependent on each of the others for the possibility of its existence:

> "So, naturalists observe, a flea
> Hath smaller fleas that on him prey;
> And these have smaller still, to bite 'em,
> And so proceed *ad infinitum*."

which though it obviously lends itself to much iniquity, has commanded the adherence of the all but unanimous consensus of civilized peoples in all countries of the world, and at almost every stage of their modern development. Even that affords no sufficient indication of its desirability or the reverse. Nor is anything good or bad of "Protection" to be predicated from the fact that, like its rival "Free Trade," it is in certain aspects equally "parasitic." As will be seen hereafter, the balance of the writer's opinion inclines in favour of a "protective" policy. But the arguments *pro* and *con.* are closely balanced, and there is no room for intolerant dogmatism on either side. The examination of the whole matter is reserved for Chap. XVI.

(L) The next sample to be taken is from another process of tropical agriculture pursued under circumstances which are in most respects as diametrically opposite to those of sugar-production as it is possible to conceive. Several natural families and orders of plants growing in the tropics of America, Africa, and the Malay Archipelago possess in their sap the quality of hardening into the plastic and elastic substances known as india-rubber and gutta-percha. Since the early days of the nineteenth century the elasticity of this substance, and afterwards its exceeding plasticity, its property of resistance to electric conduction and its aptness for many industrial processes, have prompted much exploration and enterprise with a view to collecting it by tapping the wild trees; and great hardships have been borne and privations endured by the explorers; for the trees grow amidst trackless forests and swamps, and the clumps of them are separated by great distances most difficult to traverse; but this primitive industry, carried on with the assistance of no capital beyond what is necessary for the provision beforehand of food and clothing for the explorers, has greatly extended under the stimulus of the constantly increasing industrial demand. And the inevitable development has followed, which of course is the substitution (as the field of extraction) of convenient plots of cultivated land in more civilized and accessible places, where the soil and climate enable the cultivation to be carried on. This new "rubber-planting" industry has been simultaneously brought into operation in many parts of the world, the earliest plantations having been formed in the mainland of the Malay Peninsula behind Penang. The capital to be expended is so

small, comparatively to the immediate value of the product, as to be relatively all but inappreciable as a factor.

The cultivation of the *Hevea Braziliensis*, as the "Para" rubber-tree is botanically named, is a singularly simple affair; comparable in this respect with that of the banana, mentioned above. The tree is a hardy one, not yet known to be subject to the attacks of any insect or fungoid pests, growing lustily, and only requiring sufficient space, light, warmth and moisture to bear in from five to ten years; and the collection of the "latex" or juice, though needing some little skill, is a simple operation, involving neither machinery nor any special ingenuity of work In due course it will be found that even in the countries where rubber-trees grow wild, it will be a cheaper and easier operation to sow the seed at convenient spots and plant the trees in places accessible and provided with roads leading to central places from which they can be easily exported, than to continue to organize expeditions of collectors ("conuqueros," they are locally called in Brazil), through the vast trackless forests and swamps of the Upper Amazon and the head-waters of the Orinoco and the Congo. So that it comes about that eventually, when the processes of stimulation of supply by demand, and *vice versâ*, have worked out (and they are now rapidly doing so) the price of the product, which now is momentarily raised to a point something like 200 per cent. above the average present cost of production and marketing, will steadily fall towards the ideal level predicted by Mill and Ricardo for all commodities whatever; that is to say, towards the average normal cost of production, or, as Herr Marx and Mr. Bell Robertson put it, "to the minimum at which it will be worth while to producers to produce."* This point has not actually yet been reached by any commodity, and probably never will, even by this. But an approximation to it will and must be exhibited by india-rubber within a comparatively limited number of years, and then will ensue a series of fluctuations almost exactly predictable, as one source of supply after another ceases to become commercially available, in consequence of the cost of exploiting it tending to equal the price in the world's market, which expresses the general demand. At the moment of writing (November, 1907) the stuff fetches a trifle over 6*s*. per pound in the European markets. The cost of marketing it from the wilds of the Upper Amazon may be taken

* "The Slavery of Labour," Chap. II.

at something like 2*s.* 10*d.* per pound. It can be turned out in Province Wellesley at present at about 2*s.*; in the wild countries of the Congo, by free recourse to mutilation and torture by the agents of the beneficent master of the country, at about the same figure, and in the young plantations throughout the tropical countries and islands of Southern Asia, at figures varying down to a minimum of 1*s.* 4*d.*, which is approximately the normal cost in Java, which has a teeming population of very industrious people, well under control, and able to subsist at very small cost. Nowhere is there any lack either of suitable land or sufficient skill, and the small capital actually required to start associations companies and syndicates can easily be found, even when capital is scarce, though the comparatively large nominal capitals involved indicate a mode of "dilution" depending more or less on the degree of acquisitiveness of the "promoters."

The result of all is, that the supply must continue to be increased from year to year, as the plantations ripen and are extended; and there is no impeding cause whatever which can be noted as tending to check the increase till supply becomes adequate to the demand. The demand, in its turn, will, it is expected, prove capable of extension under the stimulus of the continual cheapening of the commodity. Sanguine planters love to dream of a time when the streets of London and New York will have to be paved with the juice of the *Hevea Braziliensis;* and their only apprehension is that the synthetic chemist may step in, and find a way of making india-rubber from sawdust or coal-tar or maize, as he has already made indigo; as he may possibly crystallize diamonds. Unless and until this happens, the vicissitudes of this particular industry may be predicted almost mathematically. At a given point, production from the wild forest will be abandoned; and that will have an effect analogous to what occurred when the lower grade silver mines of Montana were suddenly closed down; it will cause a temporary rallying of price, still further stimulating production, which in its turn will lead again to a fall in price, till the time when the slave-drivers of the Congo will find their energy insufficiently lucrative; and gradually, as organized cultivation becomes the only source, while it expands to the full measure of the demand of industrial manufacture, one after another of the less favourably circumstanced cultivated areas will drop out of the competition, until a comparative equilibrium of value and price has been obtained at some figure essentially

represented by a price in slight excess over that arrived at by arithmetical computation of the number of units of labour-value needed to produce the pound or ton of india-rubber, at the standard wage in the country or countries able to supply the cheapest labour. How long a time it will take before that point of equilibrium is reached, and what precise valuations are in the meantime to be looked for, are details of commercial anticipation outside the purview of the economist, and interesting mainly to the speculator in shares.

Now this prospective analysis of values has been pursued at length because it is essentially true, *mutatis mutandis*, of a whole category of industries, india-rubber being a mere example, the one which exhibits the tendencies in the simplest form. The tendency that values have to approximate to the cost of production, though far from being universal, or worthy of being termed a "law" of value, is incident to all those industries which possess the characteristic of indefinitely extensible capacity of production. Just as gravitation tends always to bring together bodies in space with an attraction varying directly as the mass and inversely as the square of the distance, so certain commodities are subject to this mathematically predictable impulse towards the levels of value determined by cost of production, but obey a multitude of other impulses as well; so that in the broad result, just as the earth continues to revolve in its orbit though subject to the constant impulse to rush into the sun, so industry pursues its course determined not by any one tendency, but by the resultant of many varying attractions which simultaneously operate on values.

(M) For many ages cotton fibre was deemed a providentially-appointed monopoly of certain districts of sub-tropical North America. And to this day, some superiority either of the specific variety of the bush grown along the southern parts of the Atlantic and Caribbean sea-boards of the United States, or some locally-acquired faculty of cultivation or manipulation, has preserved for the product of this region a degree of desirability which is indicated by its enhanced price as compared with the staples of Egypt or India, for example. This superiority is momentary only, as has already proved to be the case with wool; for State authorities are organizing experiments over most of the warm countries of the globe; and these efforts Providence seems to indicate no purpose of frustrating for the

purpose of flattering the national aspirations of any particular country. Cotton, as regards methods of production, is intermediate between sugar and india-rubber, the cultivation being less difficult and the manipulation less delicate, and the labour of cultivation and harvesting involved less than in the case of the former and greater than in that of the latter. No object is to be gained by dwelling at any length on the process. It is in the influences that have attended the values of the product that the interest of the economist concentrates itself; and just as sugar is a representative instance of the prodigious disturbance that the action of the State can occasion to an industry, so cotton stands out as an example of a product, the value of which has been the most subject to manipulation at the hands of private individuals and their aggregates, speculators, market operators and "trusts." The tolerant eye of the economist notes with indifference the influence of greed on commercial and industrial activity. It so happens that the arts of greed have reached a high development among the citizens of the splendid country which has hitherto occupied the chief place in the world in the production of cotton; and by their means values and prices have been continually disturbed from day to day and from hour to hour throughout the world; and this has imposed loss on all those who in the course of a more directly productive industry have to make use of the product round which these devices of acquisitiveness have accumulated. This is noted specially with cotton. But the operation of the same causes more or less attends the production of all commodities. All participate in the necessity for commercial dealing, and the standard of obligation in commerce is different to that which would be deduced from the more austere considerations of pure ethics. Even the sacred duty of buying in the cheapest and selling in the dearest market, which Mr. Ricardo assumed to be the economic duty of Man,* as in its exercise he found Man's most divine privilege; even this paramount obligation has to yield to the special contrivances of commerce.

The subject has been introduced for the purpose of exemplifying the multiplicity of ingredients that go to make up the phenomena of supply and demand and of value and price; and has incidentally indicated how far the world is yet distant from

* See "Principles of Political Economy and Taxation," Chap. XXII.; cf. also Adam Smith, "Wealth of Nations," Book IV., Chap. III., p. 12.

the actual realization of the dream that value is the mere expression of the amount and quality of labour needed to produce a commodity, and price a concrete realization of value representing a fixed minimum proportion of money over and above the actual cost of production.

(N) To illustrate another set of incidents attending the production of Wealth of vegetable origin it may be useful to turn to another article of tropical growth—Cocoa. In manner of cultivation it closely resembles india-rubber, and indeed in some parts planters grow the two side by side. There is a serious difference in their results. It seems that the same quality which fits vegetable products of certain defined sorts for use as food for Man and animals, renders the plants producing them particularly open to the attacks of other organisms, which uninvited feed upon their essence—insect plagues, fungoid growths, and the mysterious intermediate saprophytic microbe organisms classed as "bacteria." Wheat, potatoes, fresh fruit, the vine in France, the coffee plant in Ceylon, are a few instances to illustrate this apparently general rule; while those plants the produce of which is used industrially otherwise than for food are comparatively exempt from liability to be fed upon in this way; and in connection with them one hears but little of blight, rust, oidium, hemileia, phylloxera, and similar pests. The cacao tree, whose kernels possess the quality of nutritiousness in an exceptional degree, is one of those the most subject to attacks of this order, and is also, as regards its bearing, the most sensitive to slight local variations of climate and weather. It resembles in this respect the apple and the plum, which may be abounding in one county of England in a year in which the produce may be nothing in another. The plant is economically cultivated round the southern and western shores of the Caribbean Sea and the Gulf of Mexico, and in many regions of tropical Africa, and some quantities also are produced in Brazil and in Ceylon and Southern India. And so it happens, therefore, that while the average production of the world continues fairly constant, or rather steadily increases under the stimulation of a steady demand, there is a very varied productiveness in the different regions in which the cultivation is carried on. Here comes in that element of chance or gambling in which lies the "sporting" attractiveness of production, and which is exhibited nowhere so conspicuously, by the way, as among the potato-growers in

Lincolnshire, whose expense of tillage in some years exceeds the gross value per acre of their crop, while in other years the profits are correspondingly enhanced. In a lesser degree the same characteristic is exhibited by cocoa, which has been selected as an example simply for the purpose of illustrating the absolute internationality of Wealth and its production, and the impossibility of generalizing as to it by concentrating the attention on any one locality or country, or considering only the circumstances or motives of or results to any particular set of individual producers. Cocoa, like potatoes or apples, continues to be produced in the world to a fairly steady amount and at a steady average cost, and to fetch a price determined entirely by conditions of the average world-demand and supply, which has no relation at all to the circumstances affecting any particular country of its origin, and very little to the average cost of production. The planter in any particular locality might, and probably would, be ruined by two or three bad years in succession. That eventuality he thoroughly realizes, and yet is content to take his chance and prosecute this hazardous industry. In short, industry is, as it were, itself a form of capital, that hope on which it is founded being essentially one of the Protean incarnations of confidence.

It is proposed to note very shortly two strikingly opposed examples of vegetable products, one of which exhibits the characteristics attendant on monopoly: the unlimited demand, together with a very limited supply; while the other shows an example of mononesis: the indefinitely increasable supply gradually extending by cheapness an originally very limited demand. These two products, so to say, are dearness and cheapness incarnate. It so happens that both of them are used for purposes which strict ethics might reprobate; but this is irrelevant to the subject of inquiry. "Lucri bonus est odor" is a saying which the moralist properly repudiates, but in which the economist has to learn to acquiesce. To him all possible industries which go to increase the sum total of desirable commodities are wealth-producing, and have equally to be reckoned with, whether it is virtuous or wicked of mankind to desire the wealth produced by their means.

(O) The first is quite a tiny and insignificant industry. In the mountains of Manchuria grows wild the plant known as "ginseng"; and a little band of explorers devote themselves to

hunting for it. It does not appear to have been discovered elsewhere in the world; and either it refuses to grow under cultivation, or, what is more likely, the fraternity of hunters have taken care that no man should acquire the seed. The writer's informant suspected that they themselves have some means of inducing the plant to grow. They are a trades union, as determined in their purpose and effective in their methods as the Sheffield scissor-grinders of the early sixties; a close corporation, bound by laws of their own, which among the wildernesses where they roam are enforced by irresistible sanctions; and no man may engage in the quest but a member of the fraternity. Among them there is no competition to work for lower wage; for "blacklegs" all rapidly die; nor to produce nor vend. Each single plant becomes the property of its discoverer, who watches it and tends it to maturity, quite secure against his right being invaded by any of his fellows. The competition is entirely among the customers. The thing is believed in China to possess certain restorative and stimulating properties, which there is no need to specify; and Chinese gentlemen outbid each other greedily for morsels of the coveted substance. Probably enough, these magical properties of ginseng exist in the imagination only. But (and this exemplifies the characteristic attaching to value, which in Chap. III. was indicated as economically the most important of all) whether this be so or not is immaterial. For value depends not on what is intrinsic in the object, but entirely on what men believe it to be. It is a mere expression of the desire to possess. There is no limit to the desire to possess ginseng, and therefore no limit to its value or price, other than such as may be imposed on the means and avidity of those desiring it. Therefore the utility, the cost of production, and the "average labour required to produce," are all of them as much and as little elements of the value of this particular drug as they are of the splendours of the Aurora Borealis. And there are many other commodities in the world in like case; and the total of their values enters into the Wealth of the world to an extent which would greatly surprise the utilitarian philosopher. For these comprise all the things of which the available supply cannot possibly suffice to satisfy the commercial demand.

(P) The cassava tuber yields glucose, the prime raw material of adulteration. This amylaceous substance is very easily prepared, is quite innocuous, and, except in respect of a slight

fetidity noticeable only by acute palates, practically tasteless; and the supply is potentially illimitable. The cassava is the easiest to grow of all tropical plants, and is to be had with a minimum of labour and appliances wherever on the globe is heat and moisture sufficient. We western Europeans drink it in our spirits and beer (especially that brewed in Germany), eat it in our jam puddings, wear it in our shirts and cotton materials, and unconsciously use it in very many other shapes which we do not suspect; for it is being found out that its applicability ranges over a wide field, and the manufacturers who provide it for our unconscious use are modest people, who avail themselves of it unostentatiously. The supply easily responds to the demand, and the exportation from the Eastern Archipelago increases yearly, so that glucose is a very cheap article, the most serious part of its cost, like that of the banana, being the expense of transportation. And it gets steadily cheaper as the increasing demand increasingly stimulates the supply. The value, therefore, tends ever to be determined by the belief of vendors and purchasers as to the cost of production, for the demand can never reach the potential supply. The lesson and example afforded by these two typical and extreme instances indicate an important and far-reaching sequence of fact—what Mill would have called a "law," more or less applicable to every commodity, and therefore to all Wealth, and one can almost deduce from it the true law of values, which is, that they are the degree of the relative desirabilities of the things of which they are predicated.

CHAPTER VI

INSTANCES OF WEALTH PRODUCTION (*continued*)

Manufactures

It is not proposed to extend the analysis of specific industry by examining in any detail the gigantic multiplicity of examples afforded by industrial manufacture. Quantitatively, these enter, of course, to a very large extent indeed (though by no means in so great a preponderance as has been unconsciously pictured to themselves by writers belonging to a country concerned mainly with manufacturing process) into the sum total of the Wealth of the world. When Mr. Cobden spoke of Wealth in its relation to the industry of the working man, there was always subconsciously present to his mind the conception of the cotton mill in Manchester, with its crowds of specialized operatives. A severe exclusiveness of that which is foreign and unfamiliar pervades the conceptions of almost all of the writers who have entered the field of economics since Adam Smith, who alone among them all rose to an adequate idea of the generality of production. To Bastiat, the ideal working man is the Norman peasant in the field or the Burgundian vigneron, and probably if an economist has arisen in Japan his conception of industry will be found to be essentially the varied activity of Osaka, ever busy with the skilful imitation of the products of other nations and the simulation of their trade marks. To those thinking amidst the phenomena of industrial life in Western Europe, processes of manufacture, while they afford the most familiar and most easily observed of all concrete examples of industry, have also the attraction of presenting in a concrete form the phenomena of the specialization of industry, the differentiation of workers, and the action and reaction *inter se* of complex economic antecedents and sequences—in short, of the mass of enigmas presented for solution by the Sphinx of civilization. On the answers to these depend, not the continued existence of the human race, but the persistence of its civilization. From the point of view of the

economist, it is on the working out of the organization of industry that the life of the world and of each country in it must ultimately depend, and the consciousness of this subtends by far the greatest arc of his mental horizon.

Now, all forms of manufacturing industry have this in common: that they postulate the application of means to a formidable extent. The regulated supply of raw material, of the inanimate power of heat, of the necessary wages from which to provide food and clothing for a complex organization of labour which cannot possibly wait for its reward till the product is marketed; these are primarily necessary—also the organization of commerce and society must be such as to afford perpetual free access to that part of Means which is susceptible of use in production; and in particular, possibilities for that potential form of capital known as credit, another of the many incarnations of confidence. The neolithic John and James were innocent of these complex necessities. But they all are conditions precedent to the establishment and the prosecution of modern industrial production. Mr. Henry George pictured to himself the possibility of an association of workmen commencing to manufacture and successfully undertaking industrial business without "capital." So also Mr. Marx, who cherished a vision of a similar elimination of the obnoxious element; and his followers are at this moment (1907) engaged in the propaganda of the same article of faith, all shouting together in a chorus of unanimity, "Delendæ sunt opes." Their proposed *modus operandi* is a touching instance of the simplicity of the process of self-deception in sincere and thoroughly benevolent and honourable enthusiasts. "Collectivist" not only in respect of George's favourite abomination, private property in land, but as to all things, they imagine a set of working men essentially individualistic, but all working with a view to collective as distinguished from individualistic profit, who are possessed of the necessary skill, and all engaged in the process of manufacturing something. The typical concrete instance given was the simplest of all manufactures, the building of houses. The tools and appliances, the bricks and mortar and scaffolding, were not to be found by "capital" at all; they were to be obtained by the issue of credit notes, to be compulsorily accepted as provisional payment by the brickmakers, the cement manufacturers, the dealers in planks and boards, the butchers and bakers, and mercers and grocers. Thus would the collectivist,

without "capital," supply the materials and tools, and feed and clothe and house the workmen until these were in a position to sell the houses they have made, redeem their obligations, and divide amongst themselves the balance of the proceeds—the simplest imaginable example of the beauty and justice of co-operation. So, therefore, similarly, with the making of shoes, calico, and pianofortes and bicycles. All must be carried on co-operatively, and "capitalism" banished from the universe, though Means are to continue to be earned and divided among the co-operators. What on earth the supposed credit notes are, or can conceivably be, but voluntary or compulsory levyings on the capital of other people, these people never stop to reflect. Nay, the credit notes themselves, what they could be while yet in the hands of the brickmaker or the butcher, but a part of the "capital" of either, it is still more difficult to conceive: the things themselves must, like other forms of investment of Means, be an expression of anticipation or confidence, depending entirely for their realization on the existence of the equivalent amount of Means in the hands of future purchasers of houses, and of the degree of confidence in future security which these latter have to feel before they will be content to offer it in exchange for the particular products of any particular co-operative industry which it is proposed to embark upon by this device.

These notes of the imagination, when you analyse their real nature, will be seen to be a sort of credit on credit, confidence raised to its second power, the actual "creation" of capital, throughout all industrial enterprise; and that, too, in the most inconvenient and cumbrous form financially conceivable. The issue of an enormous multiplicity of bank notes like unto these, if of a somewhat more elaborate and better reasoned character, are the suggested alternatives for the use of capital. By employing the words "credit," "expectation," "certainty," they think they escape apparent reliance on the hated element of production called "capital"; but, boiled down to their essentials, all these turn out to be transparent contrivances for utilizing the capital of other people against the will of the possessors, destroying confidence and checking the manifestation of that form of the acquisitiveness of mankind worshipped by the utilitarian under the name of "thrift." For in all manufacturing industry the prime pre-requisite is Capital—the accumulated result of what utilitarians dilate upon as the supreme human

virtue, "thrift," but what really is the natural result of the accumulation of profits above and beyond the claims of reproduction; and whether these have been painfully accumulated by the self-denial of the parcimonious hard-working man, or carelessly left to accumulate by an opulent person possessed of means in excess of what he is able conveniently to expend in the gratification of his own appetites, may be a subject of concern to the student of ethics; but certainly is irrelevant to the follower of economics.

For manufacture, space is the first need, a place whereon to erect the material fabric of industry. For a subsequent chapter are reserved all economic considerations affecting the ownership and use of land, in respect of which the writer entertains opinions not entirely dissimilar to those of Mr. Henry George, though the methods he would pursue to free land from the perpetuity of individual possession are immensely different to that of the "gradual absorption by taxation" which Mr. George advocates. Next to space comes housing. The erection of the mill has to precede the introduction of the machinery; but these two primary requisites have to be provided by the outlay of Capital; which has to be the Capital of the organizer or master or the company or partnership embarking in the industry or what they are able to borrow. Then in their due sequence come machinery, raw material, driving power, and human energy. The constituents of this last will be analysed in a later chapter. But with all the pre-requisites provided to perfection, the enterprise must be unproductive and will shortly perish of itself, unless directed and informed by commercial wisdom. The prescience of commercial antecedent and sequence, the power of adapting the product to the market for which it is destined, and of commanding the necessary access to the machinery of distribution—all these are, so to say, the post-requisites. The initial pre-requisites and the equally necessary subsequent requisites, are the pocket, the arms and the brain, and in a civilized community even these by themselves will not suffice; for there needs above and beyond all these the constant co-operation of similar developments of human power in other branches of production and in the essential facilities of transportation and distribution, and the concurrence of a similarly organized capacity for production (and therefore also of Means and of their power of absorption) in other nations throughout the

world. Nothing impresses the mind with the essentially world-character and internationality of Wealth so forcibly as the contemplation of manufacturing industry in its commercial aspect. All instances point the same moral, and every department possesses its own history and literature, copiously illustrating this truth.

It is infinitely more difficult to attain to anything like accuracy in the exemplification of manufacturing callings than to glance, as in the last two chapters, at the comparatively simple industries of the direct production of foodstuffs and raw material, which are more directly the gifts of Nature. It is proposed to commence the scanty enumeration with perhaps the simplest of industries—linen. For this happens to be a convenient peg on which to hang the consideration of a particular set of causes which operate throughout the domain of manufacture, and reference to which must be made once for all.

(Q) Flax is the object of by far the earliest of all forms of cultivation of fibre. It seems almost as old as wheat itself. After many ages during which it was the sole source of vegetable textile material, hemp appeared, and then eventually jute and cotton, in the seventeenth century. Since then there have been partially successful attempts to supplement the list by bringing in the phormium tenax of New Zealand, various species of agave from Mexico, and one or two of the tough grasses. Flax is the crop of Biblical times, and of long before. It is found in the form of linen wound round the mummies of the earliest epochs in Egypt. Relatively speaking, the process of manufacture has undergone very little essential change. It has been extended, and made more intricate, and linen is now woven into more elaborate designs than in early days, by the adoption of Jacquard looms; but essentially it remains a thing of the spindle, the shuttle, the web and the woof, as it was in the beginning—not really as complex, say, as the production of ingot-iron from the ore. Among manufactures, linen stands out as that which probably in relation to the bulk and value of the product needs the least inanimate power—coal, oil, or the gravitation of water; on the other hand, it consumes a great deal of human skill, through the intervention of specialized mechanical contrivances; though the sorting and distributing of the fibre, one of the peculiar complexities of the woollen industry, is a less prominent feature of the preparation of flaxen yarn. The flax spinner, like

the wool spinner and cotton yarn maker, prefers if possible to conduct his operations by means of water power. The weaving industry, though it has its lesser special characteristics, affords no noticeable economic peculiarity distinguishing it from the manufacture of other cloths. There is nothing else worth noting; but the conditions affecting supply, demand, and value are somewhat different in each of the textiles. In the first place, in the case of flax the raw material is obtainable from so many countries in the world, by a cultivation so uniformly carried on, and subject to influences so steady in their operation, that there is, on the whole, little or no variation in supply over long periods; in this it shows a striking contrast to cotton, the cultivation of which is only now beginning to average itself by spreading adequately. Flax-growing has long been so organized as to adjust itself automatically, and without alternations of extremes of value, to demand. This in its turn is also of a particularly regular nature. It tends to increase a little with the means of consumers, and diminish with their impoverishment; but these also tend to equalize themselves when taken in the average and over the surface of the earth, for the people in one part get enriched as those in another are impoverished. Prosperity in the Argentine may wax as that in Japan is on the wane, and *vice versâ*. The people of all flax-producing countries but one take great care that the home-demand should be exclusively supplied by home-production, believing, rightly or wrongly, that the affording of the maximum of employment to home industry, and the contentment and the amelioration of the lot of the home worker, is a paramount duty cast upon those responsible for the administration of State institutions and the working of the machinery of politics. But in respect of the linen industry, the politician has been comparatively innocuous. The countries which do not produce linen cover a large part of the globe, and in the markets of these, naturally enough, the producing countries compete with each other, and the race is pretty generally with the swiftest.

On the whole, the demand, like the supply, is a steady one. Though in the world-market prices all bob up and down in respect of this as of every other commodity on the surface of the ebb and flow of gold; the comparative desirability of linen—its value—is probably the most steady among all. In this respect linen cloth offers a marked contrast to wheat; and if it were not

that its discussion would afford so little room for political and class excitement, the price of linen would be chosen in preference to that of wheat, and probably of any other product of industry, for the purpose of popularly illustrating the working out of the antecedents and consequences determining values, prices, profits and wages. But though the dissemination of impartial and accurate views of economics is an object of the economist, it is hardly the purpose with which speakers address public meetings or pamphleteers issue partisan booklets.

With regard to the distribution of profit, and the vexed question of the adequacy of the share attributed to human energy, the linen manufacture in all its stages would seem to offer almost a crucial example by which to test the validity of conflicting theories. There is probably no one of the many forms of the industry of mankind so little subject to disturbing influences from without. It is not necessarily the volume and magnitude of an industry which best fits it to afford a practical test of truth. It is its freedom from disturbing influences.

Neither in Poland, Belgium, Ireland nor Yorkshire do we hear harrowing tales of distress, unemployment, over-working, of under-payment of the operatives engaged in producing linen yarn and linen cloth. There may be forms of "sweating" in European countries, there is assuredly parasitism, because the home-industry is strictly "protected" in each; and even that form of parasitism which Mr. Webb denounces so forcibly, the employment of women and children to supplement the wages of husband and father for insufficient remuneration, prevails pretty generally. No doubt, occasionally there may be hard times, certainly there are junctures when the rate of profit tends downwards. But it is very significant that no one has ever heard of a general distress among workers in the linen industry, or wide commercial disaster among those whose capital is engaged in its prosecution—which are catastrophes in which, according to one set of theories, the doom of overworked and underpaid humanity ought long ago to have consummated itself in universal general misery, among people engaged in an industry which for so many centuries has been exposed to the unrestricted play of the pitiless forces of demand and supply.

If it were possible to work out and evaluate the sum total of energy expended per unit (say the thousand yards of linen cloth) on the average, and taking into consideration, of course, that

labour of the past which has gone to provide for the satisfaction of the series of pre-requisites enumerated on p. 92, the actual share of efficiency in production attributable to the particular set of persons directly engaged in the actual production of the commodity itself would, it is true, not be a large one. The builders of the mill, the makers of the machinery, the staff of the coal-producers and distributors who have supplied the power expended in the production of pre-requisites through generations, the myriads of other commercial organizers and operatives whose co-operation throughout indefinite years backward has been necessary in order that one unit of cloth may be turned out this year in Belfast, would, if each man had his mathematically-ascertained due ascribed to him, outweigh by far the title of the manufacturer and his immediate human subordinates to share in the proceeds of the industry. And in fact they do; for the measure of the quantitative reward of these pre-requisite elements of production is afforded by the fact that labour absorbs but so much, and profit but so much, of the price for which the linen is exchanged, the vast bulk of the sum total received from the world for linen going to the material "cost of production," which includes, among other things, the acquisition of all the pre-requisite indispensable things. Apart from the personal wages of skill, the return to the "capitalist" is not a particularly lucrative one, as evidenced by the fact that manufacturing associations of solid credit and possessing responsible names on their list of directors, find in normal times no difficulty whatever in issuing "debentures," paying on an average from five to six per cent. per annum on the money advanced, which in general will work out on the average at a trifle over one per cent. on the value of the annual gross product. The extreme enemies of Capital consider this excessive, but what we have in view is rather the principle than the details. "Capital," as such, they have no objection to. Their enemy is the abstract "capitalism," the precise meaning of which term of obloquy will be discussed in a later chapter. They seek means by which the pre-requisite ingredients may be obtained in some other manner and without offering any counter-consideration to the prior appropriator. But their success in the quest, it will be seen, is not a contingency to be seriously reckoned with. And, provisionally, it is proposed to assume that "Capital," as such—that is to say, the Means devoted to production—is entitled,

irrespective of the reward to the adventurer for his risk and commercial direction, to an adequate return in the form of a reasonable percentage,* calculated on the amount of it used or borrowed. That leaves from 98 to 99 per cent. of the total equivalent of price of the commodities produced to be divided between raw material, profit, salaries and wages—a proportion which in itself does not bear out the thesis that the direct claim of Capital shows sign of weighing down and oppressing the industrial world; at the same time, this aspect of things does not invalidate the conclusion drawn elsewhere that the over-capitalization of enterprise is a serious source of danger which has to be taken into account and guarded against.

The other textile industries are analogous in most respects to the one chosen as an example. Broadly, they resemble it in the fact that the manufacturing process is a double one, of spinning fibre into yarn and weaving yarn into cloth, the yarn being in itself a marketable commodity, subject to fluctuations of value according to the supply produced by the spinner and the demand induced by the needs of the weavers for the intermediate raw material. At any one moment yarns may be rising in value, and cloth depreciating, just as ingot-steel may be on the rising and cutlery on the falling grade of prices, or *vice versâ*. But in the long run and on the whole, the finished article and the intermediate product must tend to rise or fall in value together; and the economist has to disregard local and temporary commercial fluctuations, except in so far as the vicissitudes which they induce form a factor affecting the well-being of the industrial classes. Each of the other textiles exhibits, in one form or another, special characteristics, incident to the origin of the fibre, the circumstances of manufacture, and the use of the product.

* Mr. Henry George ("Progress and Poverty," Book III., Chap. III.) has exercised his ingenuity in endeavouring to find an ethical justification for paying interest on capital that shall distinguish it from his favourite abomination, rent, this latter appearing to him the capital crime of modern civilization. He derives the justification of interest from the fact that Nature herself giveth the increase in certain productive processes, and therefore the man who contributes the Capital by which her productiveness is utilized has a moral claim to participate in the result All this is excellent fooling. The practical justification of interest, as of rent, being simply that the one, like the other, is the bribe necessary to induce the possessor of land or capital to allow his property to be employed to assist the energy of the man who has need of it. Whether it is right that any man should be allowed to possess either may for the moment be treated as an open question; but the attempt to establish a distinction between the morality of the respective bribes is amusing in the highest degree. Like all importations of ethics into economics, it leads to bewilderment.

(R) Silk, for example, is more or less of a luxury,* the product being in requisition mainly among those whom it is the fashion to stigmatize as the "unproductive" or "non-producing" classes. It will be seen how essentially futile and meaningless is this classification, and how impossible it is to found the ascertainment of scientific truth on controversies entered into with the object of promoting class hatred. The spinning and weaving of silk is, in truth, just as much or as little an instance of the "production of wealth" as that of calico, and the processes of the one employ labour much in the same methods and much with the same result, from the point of view of the economist, as the other. The value of the product is relatively greater if comparison be made of the number of units of labour needed for the production of a given unit of silk than in any other department of textile industry. The action of the State happens, in the country in which this is written, to have extirpated this particular industry, in obedience to the supreme command, "Thou shalt buy in the cheapest market." And this form of employment is no longer open to capitalists or workmen in the United Kingdom; and such incidents of production as are peculiar to it must be studied mainly in France, Italy, Switzerland, Austria, China, and Japan. It is a very ancient industry, the conditions of which, like those of linen making, have long since adjusted themselves to the phenomena of supply and demand. The substitution of the power loom and its Jacquard adjustment, for the hand loom and the primitive devices by which patterns of design and colour were once produced, has popularized and made more generally accessible the fabrics of silk and velvet, by no means to the improvement of the quality or enhancement in beauty or value of the products. There is more fluctuation in demand, according to the relative prosperity of the classes consuming, and less adaptability of supply, because of the highly specialized qualifications of those engaged in the industry, who, like the agricultural producers of wheat, have to go on producing or perish. Therefore, in Lyons and in Milan "hard times" and lack of employment affect the workers occasionally with more severity than in Barnsley or Belfast. But there is no evidence of any progressive impoverishment of workers, except in the special cases in which the industry of one centre is being extirpated by the competition of others. Milan, in particular, presents

* Mill, "Principles of Political Economy," Book I.

an appearance of deep-lying prosperity exceptional among Italian cities; and though extreme "socialist" doctrines are in favour with the operatives, these appear to rise rather from the love of excitement and addiction to talk characteristic of an impressionable race than from any actual misery or bitterly-felt insufficiency of the means of existence.

(S) With regard to woollen products, we are in a position to study details at home. The raw material is luckily producible now in such adequate quantities, and obtainable from such a variety of competing sources, as to afford supply to an extent practically unlimited, and facilitate production to the utmost. The area of the globe on which it can be raised is identical with that of wheat, even somewhat more extended; because sheep thrive best in countries such as Patagonia, in which the soil is too shallow or the summer temperature too low for economic wheat cultivation. The demand for the finished product is almost co-extensive with civilization, and increases steadily with the increase of the means of acquisition. Neither the productive nor the purchasing power of the world shows any sign of exhaustion in the tendency to increase. As to the reward for labour, that also appears, in contemptuous disregard of the conclusions of political economy, gradually to improve. The writer has had personal opportunity of observing the dwellings and surroundings of people employed in the English centres of wool-production. Better or better kept homes, finer or better nourished children, a more sturdy, manly, self-reliant population, than can be observed around Bradford and Huddersfield it would be difficult to imagine. They offer an amazing contrast to the miserable conditions of life in South London, and (odd paradox, not by any means difficult to explain) nowhere in the United Kingdom have the extreme adherents of the doctrines of Collectivism found stouter supporters.* With the vicissitudes of the wool exchange, the yarn market, the commercial operations of the various centres of production and agencies of distribution, there is no need to concern ourselves. There is this to be said about the wool industry, that the cost of machinery—that is to say, the share of capital—enters into the process to a greater degree than with silk or linen. Every stage must commercially be carried on by means of the most modern and most elaborate appliances, because the product is a singularly international one,

* See p. 404, *post*.

exposed to strenuous competition at every step; and under pain of going under, the manufacturer has to keep abreast of the ingenuity and energy of his rivals in other countries. In this respect woollen cloth and "worsteds" exhibit a certain similarity to sugar; the pressure of competing supply, however, not intensifying into oppressiveness, but stimulating only. Also, this industry is marked as one of the few which, in the United Kingdom, have been more supported by the external than the domestic market, and the well-being of those engaged in the industry is therefore particularly bound up with commercial phenomena in the countries which absorb the product. Therefore, in respect of few departments of industry are there more embarrassing and prolonged vicissitudes of good and evil fortune. "Pourtant ça marche toujours."

(T) The point to be specially noted with respect to the processes of the manufacture of cotton fabrics is the extreme importance which attaches to two factors, one of which, the preponderant necessity of pre-requisite capital in the form of special machinery, has already been sufficiently dealt with while considering other industries. The other salient peculiarity is the specialization of industry; what Mill called "the sub-division of labour." At each stage of the process of production, to tend each category of machine—nay, each of the different parts of the same machine—an army of specialized workers has to be enlisted and trained; and for the economic success of the process as a whole, it is necessary so to adjust this, that each section performs its due share, and to each is attributed its normal proportion and duty of service. The praise of "the sub-division of labour," the appropriate pæans over the increase of general productiveness which it facilitates, and of the "wealth" which it produces, have been adequately sung by Stuart Mill.* It is the reverse of the picture, the appreciation of the difficulties and the dangers attendant on this differentiation of workers into increasingly specialized employment, that rather claims attention in the twentieth century.† While the perfecting of machinery has been evolved to a point at which, as the brain of the inventor seems almost to animate the iron cogs and cams and arms and levers, so the brain of the operative has become concentrated on, so to say, a mechanical attention; on the slow acquisition of a habit of inducing the

* "Principles of Political Economy," Book I., Chap. VIII., §§ 4 and 5.
† See *post*, p. 187.

arms and the fingers constantly and subconsciously to repeat rhythmically certain specified and unvarying movements so as to synchronize exactly with the motions of the machine, Invention has humanized the machine and mechanicalized the human being that controls it. This specialization of faculty and function seems inevitable, and its bearing on the most vital and central of all questions of economics, the well-being of the working-class, is obvious. For the specialized human machine exists and performs its function only as an adjunct and accessory of the specialized iron and steel machine to which it is bound. And this is the true slavery of humanity, not the preconceived imaginary pressure of the labouring class down to the "level of bare subsistence,"* which, on the whole, never has occurred and never will occur, and as regards the mass of skilled workers is a mere spectre evolved from the inner consciousness of theorists unacquainted with fact.

The vicissitudes of the cotton operatives furnish a striking commentary on the doctrine of Ricardo and Mill,† that labour, like capital, "transfers itself" from unremunerative to remunerative employment, just as a perfect fluid flows everywhere with a constant pressure in the line of the least resistance. The cotton operative is exactly as capable of transferring himself to another occupation, when wages become insufficient or employment scarce in his own, as the loom will be to perform the functions of the ploughshare, when in due course of time the exhaustion of the coal supply brings about the replacement by agriculture of a moribund manufacturing industry. This is the fact of industry, as distinguished from the theory. The operative can only thus respecialize himself as the loom can be turned into the ploughshare; that is by perishing and being recast, by the death of the individual and the painful respecialization of a succeeding generation. Theory disregards, in its abstract generalizations, the "coefficient of friction" in the mechanism of labour. In the case of the specialized operative this coefficient means the starvation, disaster, and death of the individual. It is precisely, therefore, on the minimization of the friction attendant on the

* See Professor Marshall on the contention of many German socialists that this "iron law" must operate inexorably in any "individualistic" community and the persistency with which they claim Ricardo as the enunciator of it. (Marshall, "Principles of Economics," Book VI., Chap. II., § 2, pp. 575, 576.)

† Ricardo, "Principles of Political Economy and Taxation," Chap. VII., § 47; Mill, "Principles of Political Economy," Book I., Chap. V., § 9, and Book II., Chap. XV., § 4.

transfer of industry that economics, if it is to be worthy of a place as a practical science, is bound above all other things to concentrate its attention. This friction it would seem is best eliminated and counteracted in any given country by the conservation of employment for the specialized worker, by ensuring an adequate supply of raw material and a strict parcimony in the extraction of coal; by extending to the utmost of its power the commercial conditions favourable to the preservation of the demand; by cheapening the facilities of supply, and by State effort directed generally to enable each industrial process in each country to be carried on with profit and in confidence. By a wise combination of these essential precautions it may be possible for the State and for the thinkers and organizers in any country to sustain its industry by rendering it subject to conditions so constant and so to be depended upon as to minimize the chances of temporary insufficient employment, and postpone to the furthest possible hour the occasion of the final crisis.

And yet the while, the eye of the statesman has to be kept on the more remote future, and he has to prepare the institutions of the nation for the inevitable day when a wholesale transfer of industry will be forced on a manufacturing country by the exhaustion of its supply of motive power. Cotton fabrics have been selected as a convenient example for the illustration of these points, inasmuch as the manufacture exhibits these conditions in a marked degree; but except in respect of the group of industries known collectively as the "building trades," which are subject to quite another set of sequences and dangers of their own, and have to be dealt with on another set of principles altogether, the essential factors are common to all processes of manufacture. This, therefore, is the chief enigma propounded by the Sphinx of modern civilization. It has to be answered, or the civilization will perish, and with it the wealth and means which are but its results as they are but one of its factors. The cotton industry of Britain has had its full share of crises since the days of Arkwright, and there seem to be in operation a series of antecedents bearing within them the germs of consequences calculated to produce further vicissitudes. At one time the cessation for a period of the supply of raw material, incident on the events of the American Civil War, affected the fate of the people of Lancashire. How nobly their privations were borne is a matter of history. Since those days a succession of artificially

created commercial scarcities, brought about by the acquisitiveness of those who control and manipulate the sources of production of the raw material mentioned on page 84, have operated almost unceasingly. The production of the raw material is now emancipating itself from this sordid and ignoble tyranny by the acclimatization of the plant in countries less subject to abuses of commercialism. Certain influences connected with the depreciation of silver have contributed their quota to the long list of antecedents the sequences of which have affected the welfare of those engaged in production. The exclusion of the products of any one country from the markets of the world brought about by the regulations of the tariffs of others is a progressive development and sequence of the national effort of each country to preserve its own markets for its own producers, which is in full operation and likely to become more and more effective as each country in succession legitimately develops the employment of its own industry to satisfy its own requirements of consumption and the commercial demand of the rest of the world. All these influences are measurable, and to some extent susceptible of counteraction. The one which in any country seems inexorably to tend towards the extinction of its power to produce is the exhaustion of the reserve of inanimate power that resides in the stores of coal and mineral oil underlying its surface. As soon as an industry is reduced to importing these, its days of competitive production are over, and that proportion of Means and human energy belonging to its inhabitants which is concerned in the production of goods for consumption in foreign countries will have to betake itself to "more lucrative employment" in some other industry, with all the results which in fact accompany and follow the process of readjustment so complacently described by the theorists.

(U) The economist best performs his function when he abstains from meddling with the province of the moralist and from the use of all terms indicating approbation or the reverse. What are opprobriously described as "intoxicating" drinks form a subject so saturated with controversy that the main difficulty in dealing with it arises from the lack of an adequately "depolarized" vocabulary. Among the sober Latin races wine is a mere article of food; and in modern days, in countries that do not produce the grape, it may be looked upon rather in the light of a more or less unnecessary luxury than an instrument of a

reprehensible and repulsive vice. Beer and spirits, on the other hand, are undoubtedly used to a great extent to satisfy a set of human cravings, the excessive indulgence in which by the individual, or as a national habit, is prejudicial to the well-being of either man or nation, and the entire extirpation of which, if possible, is the aim, and one might almost say the religion, of a numerous body of benevolent people. But to the economist, the interest attaching to the forms of industry concerned in producing these commodities arises from two altogether different aspects. One of these has been already noticed in respect of sugar; that is, the peculiar way in which both products lend themselves to State interference by way of taxation and regulation. The other aspect, and the one to illustrate which it has been thought specially desirable to analyse the phenomena of their production and use, introduces us to a new series of problems: those involved in the conception that industries classify themselves into "productive" and "unproductive." * Whatever may be said for beer and whiskey, their best friends will not maintain that they are liquids the use of which sensibly furthers general productivity.

There is a subtle connotation of approbation and blame attached to the words "productive" and "unproductive" which has tinged the discussion and lent a certain ethical flavour to it, not altogether conducive to clear thinking. The question is worth thinking out afresh and impartially. For the purposes of the mere physical capacity for use in such manner as to further continued production, no commodity, indeed no individual morsel of any commodity, can be regarded as "productive" except in so far as it is utilized in fact in the process of production—that is to say, which does not go either to furnish the material on which or the sustenance of those by whom the act of production is to be performed. And the conception to have completeness involves a far more complex and infinitely prospective analysis. It has to be carried forward and forward *ad infinitum*. Of a given quarter of wheat, those grains only (if there is any justification for such an analysis) are susceptible of being classed as "productive" which, when ground into flour and made into bread, will go to build up the frames of men engaged in "productive" labour; and again, only such proportion even of that part is truly to be reckoned "productive" which in its turn is to be devoted to the legitimate needs of productivity, and not

* Mill, "Principles of Political Economy," Book I., Chaps. III. and IV.

wasted by the producers themselves in luxury; and so *ad infinitum*. Whatever, at ever so remote a stage, goes to facilitate anything but the continued production of necessary commodities has therefore to be ruled out, as either immediately or ultimately "unproductive." Now, how much of that quarter of wheat is productive and how much is unproductive in the true sense is thus a riddle the very stating of which convicts all the cant of commendation attaching to the word "productive" of absurdity, as simply solemn balderdash. The analysis is ludicrously impossible qualitatively, and quantitatively unthinkable. And this is the futile consideration to which "political economy" has devoted a succession of infinitely wearying disquisitions. It is obvious, on reflection, that "productivity" and the rest of it are characteristics the true sequences of which are to be sought in another direction altogether. Marx * has pointed out that it is an unvarying concomitant of all industry that, in the first place, it always reproduces the equivalent of the Means and work consumed in production. There is no mystery at all about this. The consumption of a thing produces a lack—which is a demand; and supply adapts itself to the demand automatically, and first of all reproduces the articles to meet that demand. There is a still further simplification of the aspect of this phenomenon, a direct sequence of supply and demand, which will be dealt with in a subsequent chapter. The illustration of the quarter of wheat, from which are produced the loaves of bread that will be consumed indifferently by the worker and the idler, the policeman and the thief, the statesman, the soldier, the artist, the professional billiard player and the promoter of sham companies, epitomizes the entirety of what is produced by human industry: the Wealth of the world. It is impossible to discriminate between those portions which are consumed for purposes of which the utilitarian approves and those that go to uses which he scorns as "unproductive," and therefore not tending to what he conceives of as the *summum bonum*—"the greatest happiness of the greatest number." Man is a Wealth producing and Wealth consuming animal. It is in that aspect that the economist deals with him. He is a thousand other things besides; his functions and conduct in respect to which have to be the study of other students, applying other methods and judging by other criteria. The mistake which each specialist in turn makes is that of

* "Capital," Part I., Chap. XXIII., and Chap. XXIV., § 1.

keeping too exclusively in view the aspect of humanity with which it is his particular province to deal, and ignoring all others.

To return to the brewer and the distiller. They supply certain common needs and desires of mankind, which, whether we deplore them or justify them on other grounds, must assuredly be placed in the category of "unproductiveness" defined by the utilitarian; and not only that, but minister to a considerable extent to "vices"; a characteristic which they share with the producers of many other commodities destined for food, if those physicians are right who ascribe at least equally unhealthy results to over-indulgence in the sensuality of over-eating as those which attend the slightly more repulsive habit of over-drinking. But the mental and moral unhealthiness which comes from drink intoxication is a peculiarly cogent reason, which leads moralists not only to concur in condemning the excess, but even to look unfavourably on the otherwise innocent or even beneficent use of alcohol for purposes of food. The Church in Mahomedan and the State in some European countries has recognized this peculiar facility of abuse, and met the danger in different ways. The State has in some countries imposed very strict limitations and conditions on the production and distribution of alcohol in the form of beer and spirits. These limitations and conditions have got inextricably involved with fiscal regulations, and in the United Kingdom the two utterly distinct objects of public order and public revenue are being simultaneously pursued by a confusing intricacy of legislation, in which it is difficult to determine which of the two objects is aimed at in any particular clause. This is a matter for the legislator; the economist is only concerned with it in so far as it affects the conditions of production and the free action of demand on supply. As to the processes themselves there is nothing to note, beyond the fact that fermentation (a biological reaction producing chemical modification) is the indispensable condition of the production of alcohol, distillation being only the application of heat to separate the volatile ingredient. And fermentation and distillation are processes which lend themselves with peculiar facility to that substitution of a cheaper for a more expensive material which is called adulteration, and in respect to no industry is there so steady a demand for glucose; while other and more stimulating adulterants are mixed with beer to some extent, with the effect of making it more

attractive to those who resort to it for getting drunk, and also of making it more deleterious.

The actual cost of production, apart from charges imposed by State interference, is very small in comparison with what may be taken as the normal "value"; that is to say, the part of the actual price which can be attributed to the relative desirability of the product, apart from that due to the artificial limitation of supply occasioned by State exaction levied on the processes of manufacture and distribution. The organization of the industry has itself been the subject of experiments in various directions, which in some countries have entirely obscured the economic phenomena attending it. Being a very profitable one, and one actually needing much State supervision, the expedient has been hit on in countries such as Sweden and Russia, in which distilled alcohol in particular enters largely into the life of the population, of reserving it as a State or municipal monopoly. This has been done for reasons entirely outside of those which actuate "collectivism" in advocating the State absorption of other industries. The manufacture of alcohol affords the first concrete instance of State production and distribution. It would therefore deserve careful study, if it were not that the circumstances are entirely peculiar and exceptional, so that what could be gathered from their consideration would have no value for application to other industries. Relatively to the value of the product the human energy involved in production is exceptionally small, and that which concerns itself with distribution, though larger, is not a determining constituent item of value or price. These do not appreciably vary with the amount of labour involved in producing or distributing, and only slightly with cost of materials. But the influence of demand and supply does not fail to exert its normal potency, though in other ways the main factors in value of beer and spirits, at any rate, are the influences exercised by them on the habits and tastes of individuals, and on them by the conditions imposed by the State.

(V) The hands and feet of civilization, the mechanical agents of the production and distribution of all things, are of iron and steel. The thousand industries by which the metal iron is fashioned into the ultimate form of machinery, tools, and the other appliances by means of which mankind works in producing and distributing, are of the greatest importance, affecting as they

do the materially vital elements of all wealth. But these are so diverse, so varying in their methods and circumstances, that it is all but impossible to select any one which presents economic features identical with any other. It is one of those cases in which the mere attempt to instance particulars is in itself misleading. In some—for example, the rolling of steel into rails—the main constituent of value is the cost of production of the raw material; in others, such as the manufacture of the more delicate instruments of the machinist and the fitter, the price of highly-skilled human energy; in others, again, such as those of the ordinary machine maker, the manufacturer of locomotives, of bicycles, and agricultural machinery, a main ingredient is the cost of the implements resorted to in their turn to produce. No generalization can be attempted which will effectively express anything like a summary of the proportions in which capital, motive power, and human energy, skilled and unskilled, respectively contribute to the ultimate result. Nor even is it possible to correctly generalize with respect to these products, as to supply and demand, the constituent elements of value. The raw material is, as we have seen, practically inexhaustible, though the process of obtaining it and rendering it available is in itself a complicated and laborious one. Its value, therefore, may fairly be taken to vary directly with the average cost of the labour involved in its production, though it varies also with other variants as well. The values, as determined by the demand for and supply of the finished products of the several industries, resemble each other only in one general characteristic, and that is the momentary and ephemeral nature both of the wealth they create and of its desirability. Almost as soon as the demand for some particular machine becomes world-wide, the thing itself begins to become obsolete. It is always in the act of being superseded by fresh invention either entirely different, or so dissimilar as to need the readaptation both of the plant for producing it and of the special skill of its producers.

When dealing with iron and steel we deal incidentally with the associated ordinary metallic substances, brass, bronze, and the other metals and alloys required for the particular parts of machinery and utensils for which iron and steel happen not to be suitable. They do not vary from steel in the mode of their use or the manner of their adaptation. It is desirable to take one concrete instance, but with the proviso that it is

representative only of itself. It is proposed first to consider the comparatively simple industry of the implement maker.

In this the two most important elements of productiveness are the pre-requisite of applied contrivance and the requisite of mechanical aptitude and commercial desirability. The price of raw material enters of course to some degree into the ultimate capacity of supply, and therefore into value. The cost of the energy needed for production is, as with all other manufactures, an ingredient of cost, but does not absorb beyond a modest share of the product or even account for the main determining element of value. Metal castings are the form in which the material is mainly applied, and casting is a delicate and special process employing highly-skilled and highly-paid labour; but that which determines the commercial success or failure of any enterprise belonging to this section of industry is above all adaptability of the implements produced for these purposes, and of the mind of the designer or contriver, to commercial requirements throughout the world. These, again, are determined by the varying agricultural and other processes, to assist in which the machines are required. In this business knowledge is pre-eminently power, and the reward of that ingredient of energy which is adaptability and constructive skill absorbs an exceptionally large portion of the gross profit, which is the surplus over actual expenditure in production.

By an arrangement of international comity and law adopted by the majority of those civilized States whose citizens are engaged in manufacture, the reward of this skill takes the form of a right of monopoly; and by convention of the several States, arrangements are made for the international recognition and observance of these monopolies, subject to special conditions in each State, but on the whole reasonably uniform. In no other way is it found practicable in any country to arrange for that reward of the inventor which is the mainspring of invention; and there is nothing which so signally illustrates the international character of all wealth and all means as the convention by which, in a greater or less degree, and subject to varying prescribed formalities and compliance with local requirements of municipal law, each State has undertaken with its fellows thus to recognize and satisfy the claims of inventors throughout the world. The makers of machines pay toll—in some cases heavy toll—to each of an army of contrivers, who

have devoted themselves throughout the world to the perfecting of machinery in respect to the special department of industry for the needs of which they cater; and the specialization of energy which at one end of the process is displayed by the special susceptibility of the nerves and muscles of the individual labourer manifests itself at the other end in the specialized ingenuity of contrivers and "patentees," as they are called, in producing designs for machinery to be applied to the thousands of sorts of special processes of manufacture. And specialization goes beyond this even, in the way of the sub-division of inventive energy. The printing-press, the steam-engine, the loom, the furnace, the sewing-machine, the dynamo, the telegraphic apparatus, and hundreds of other contrivances of each division of production, are each, so to say, the centre of a solar system of its own, round which revolve planetary industries, the specialized inventors of which work, each in his own sub-division, each almost unconscious of the existence and independently of the orbit of the other, and each depending for his reward on some special fragment of this necessary privilege of monopoly; while the commercial co-ordination of these separate streams of effort into the channels indicated by the world's demand is a similarly specialized organization of distribution, needing its own specialized knowledge and its own qualifications of adaptability. Some new process, for example, for extracting sugar is hit upon by an inventor, or a combination of two or more inventors, in France or Germany. Finance steps in and "forms a company" and "subscribes its capital," and sets in motion the sweet uses of advertisement, another highly specialized industry of its own, the proficients in which levy their special side-toll at the gate of monopoly. A company or "syndicate" is formed to acquire "patent rights" in all countries of the world and exploit the resultant monopolies. And the "patent company," by a process of germination, gives rise to local branches, which, detached from the stem, take root where they are planted. And all this brings in the function of another most important and lucrative set of special workers. Next happens the institution of special factories for the production of the new contrivance, and then the commercial specialist is set to work to induce the people engaged in sugar agriculture to avail themselves of the new machinery. This is the function of the specialized commercial traveller. And then in due course

one comes to consider, when analysing values, the effectiveness of the machine; and, again, in what manner its adoption sets in action a new set of special influences on the values of the thing it produces, and therefore on prices, processes, agricultural conditions, commercial reactions throughout the world. What an amazing contrast to our friends John and James, with their bag of barley and their bundle of rabbit-skins, from the conception of whose motives and gestures in the primitive barter places of the neolithic world the political economy of the nineteenth century complacently deduced the laws which regulate the Wealth of the World and the essential characteristics of human action in the region of Economics! The production of all machinery is in its essentials influenced by the causes herein noticed, which affect the industry in common with others.

(W) A more complex instance still is afforded by the contemplation of the industry of shipbuilding. A ship is a floating universe of contrivances subordinated to the purpose of transportation. It would be interesting, if it were possible, to analyse quantitatively the processes that have to concur before a commodity such as either the latest development of the Transatlantic liner, or a supreme engine of destruction in the form of the last devised battleship, can be brought into being as an object fit for its purpose and ready to enter upon the performance of its functions. But an examination of the immense concurrence of industrial processes concerned would be rather by way of being a rhetorical exercise of the imagination than a contribution to economic thought. In truth, it would be the history of the individual machine raised, as it were, to a high power, complicating itself as a contrivance for combining contrivances.

There is one very notable peculiarity of shipbuilding as a manufacturing process, which is the prodigious influence exercised over it by the action of the State and its sub-organization the Municipality. This disturbing element, which enters more or less as an ingredient into the conditions of productivity in all branches of industry carried on in civilized countries, influences the production of ships in several special distinct ways.

Each State, for example, has its own ideal of certain essential conditions of safety, below which it conceives it to be its duty to prevent a ship being sent forth from its ports. Probably, at the moment, the United Kingdom compels a somewhat more

vigorously enforced altruism from its shipbuilders and shipowners, in the way of care for the safety of mariners and passengers, than the average of States; while the kingdom of Norway is probably the least exacting in this respect. Those who travel from one to another of the ports of the world become familiar with the physiognomy of the nationality of a ship presented by the obvious indications of the greater or less imperativeness of the different State requirements concerning such attributes as stability, solidity, the regulation of deck-cargoes, and the locating of the load-line. According to the different standards of commercial morality enforced by the States are the consequences on local demand and supply, on the conditions of local production, and the employment of local labour. Certain classes of commercial traffic are practically relegated to vessels produced and sailed subject to the laws of the least exacting State. Men are always to be found driven by poverty to consent to run any risk, but the cheapness of their lives does not conduce to the efficiency of their labour; and the surface of the sea is strewn with floating wrecks recruited for the most part from the shipyards of the countries least insistent on the observance of conditions of safety. But there is a commercial demand for such inferior commodities, which cannot be satisfied by producers in those countries which insist on conditions of greater safety, for the transport of the rougher and less perishable sorts of merchandise the main ingredient in the cost of which is the expense of transportation, such as lumber, ore, rough salt, coals, guano and nitrate in bulk, and so forth. To convey these profitably, recourse must necessarily be had to the cheaper and less nice instruments of transportation produced in countries the Governments of which are less squeamish as to the conditions determining the safety and wholesomeness of the lives of their mariners. And there is therefore an important commercial demand in respect of ships, as of many other commodities, for the worse product in preference to the better, and an advantage in keeping down the average cost of production and the average efficiency of the product.

One other and important particular in which the interference of the State influences and controls production may as well be noted in reference to shipbuilding as to any other manufacturing industry, though all are subject to it more or less; and that is the influence of taxation on supply. This point will be more advantageously considered in relation to the subjects of rent and

taxation. It is sufficient here to indicate the general truth that it is to no purpose that the governing powers of a nation industriously strike off the so-called "shackles" forged by indirect taxation with the one hand, if with the other, by means of rates and other contrivances, they keep on increasing from day to day the burden of direct taxation. Industry pays its toll in some shape or another to either indifferently, as it subscribes to the expenses of government. But controversialists alternately ignore the interests of the "consumer" and the "producer," persistently refusing to recognize the extent to which these are one and the same person in different aspects. When an excessive weight of taxation is clapped upon the back of the consumer (as in Britain, where duties on food and tobacco amount to 30*s.* per head, as against 15*s.* in Germany and 17*s.* in the United States), we are bidden assume that this exaction does not "affect production." And the taxation which bears most heavily upon industry is singled out by one school for particular commendation;* precisely that which is the first indispensable pre-requisite of all production, space wherein to produce. The over-taxation of this kills the industry of shipbuilding.†

(X) The exemplification of industries would be incomplete without reference to the simple branch which in its various aspects is collectively spoken of as the "building trades." A house is a commodity, like any other, subject as respects value to the influences of cost of production, supply and demand. It is even possibly removable from place to place, but only by the employment of so specialized and difficult an apparatus that commercially a house must be regarded as fixed to the land on which it is constructed. Therefore from the economic point of view it "goes with the land," and its position in space is the main determining element in its desirability. Like a ship, a building is a combination of contrivances; but though each contrivance is the product of specialized skill, the putting of them together is especially the task of unskilled and unspecialized labour. There does not seem to have been any deepseated revolution in the way of putting bricks and stones together since the days of the building of Pithom and Rameses. It may be that the clumsy and laborious contrivances of the mason and the

* Paper on food taxation by S. Rosenbaum, read before Statistical Society May 19, 1908.

† See the development of this thesis, *post*, p. 255.

bricklayer will eventually be superseded by some more scientific method of moving and fixing materials, but as yet we have not practically progressed much beyond the pre-historic devices of the hod, the trowel, and the ladder. The carpenter and joiner mainly works by machinery in countries where wood is abundant and water-power available, and exports his product ready fitted. Those who apply the hundreds of other processes the products of which are needed for the completion of a dwelling-place, a mill or a factory, produce each in their own locality, and their products are transported to the place where the building is erected.

The energy of the builder concerns itself with the acquisition in the markets of the world of these special pre-requisites, and there putting them into place by his organization of labour on the spot, and this labour has the peculiarity of being recruited from among the ranks of the most unskilled. In every respect the industry is the antithesis of that of the maker of machinery, who casts and forges his own parts by the use of highly specialized and skilled energy, under stress of the need of constantly developing and competitive powers of contrivance of other manufacturers in the world. The causes that determine values in relation to the products of the building industry it will be more convenient to analyse when dealing with land, with which its product becomes incorporated when completed and brought to market.

The other aspects from which it is desirable to regard building trades are concerned mainly with the nature and organization of the human energy involved. The circumstances of the trade of building involve that when once a spot of ground has been reserved for the industry of a particular set of workmen to exercise their craft upon, under the superintendence of a particular employer, the demand created by the particular opportunity is exhausted. This differentiates building from all other industries. Agriculture is equally localized in its operation, but its product knows neither locality nor monopoly ; it falls into the stream of Wealth without distinction of origin or purpose. Each building, on the other hand, becomes a thing in itself, containing its own peculiar aptitude for possession and utilization, exchangeable but not interchangeable, whether it assumes the form of the Cathedral of Cologne or a row of workmen's tenements at Walthamstow. But it is in respect to the influence exerted by labour combinations that the building trades exhibit their most interesting economical aspect. It must always be remembered that the

combinations of workmen among themselves to enforce their claims and cope with the potent counter-influence of capital are not only good in themselves, but an absolutely indispensable condition of healthy economic process. Without their influence the energy of production would be a mere bond-slave to the acquisitiveness of the capitalist.

But their essential beneficence must not be held to sanctify all their methods. Capital grovelling at the feet of Labour presents an object lesson equally pitiable with Labour cowering under the lash of hunger wielded by Capital. And when the object aimed at by labour organization runs counter to the general well-being of a community, the factor has to be noted exactly as much as the counter-instances of the over-exploitation of human energy that is apt under the stress of mononesis to follow the excess of acquisitiveness on the part of the employer. Where labour is highly skilled and specialized, its supply is comparatively limited, and those who direct and advise its demands wisely content themselves with comparatively innocuous prescriptions. The skilled engineer or fitter can take care of himself and has little need for a special code of cunning devices to protect himself from the greed of the capitalist. But in proportion as the degree of the skill of the workman decreases, so increases his liability to be ousted from employment and limited in his reward by the competition of entirely unskilled labour from without his trade. It is not in politics alone that Sardou's famous simile is true, when he compared in "Rabagas" the struggles of political life to a crowd inside and outside the door of a building, those outside ever pushing and clamouring for admittance, those inside straining to exclude them, the door ever and anon yielding a little to the pressure from without, and admitting a few of the foremost besiegers, who, immediately on obtaining entrance, turn round and reinforce the army inside, and add their efforts to help exclude their whilom associates. This is what is going on unceasingly in the industrial world. Those inside dub those outside "blacklegs," and against them any ferocity is permissible in the struggle for self-preservation. The moralist may deplore, but the economist has to acquiesce in this inevitable jealous tendency of associated labour. It is a part of the struggle for existence inevitably carried on in one form or another throughout the world from the beginning of time, neither to be approved nor condemned, but impartially

studied in its effects. In the building trade the ultimate result is the restriction of productivity which is supply, relative to demand, and the consequent artificial enhancement of the general cost of living in countries in which this mode of limiting production is resorted to. The ultimate victims of the "trade rules" of the bricklayers and their labourers are their fellow workmen in other employments; nothing strikes the impartial observer of the conditions of life among the poorest classes more than the inordinately disproportionate excess of the rents these have to pay for the poor tenements in which they have to live, as compared with the total of their means of livelihood. The brain of the Utopian teems with schemes to counteract the tendency to aggravation of this source of human suffering. It may be that none would prove more ultimately effective than an intelligent effort to cleanse the minds of workmen from the lurking superstition that has outlived the general scientific repudiation of Ricardo's theory of the "wage fund." It is this mischievous falsehood which lies at the bottom of all the futile regulations prescribing how many bricks shall be laid in an hour, and with which hand the trowel is to be used or the brick lifted, how much shall be carried in each hod, and in what manner the mortar shall be so spread as to ensure the maximum pay for the minimum result. To the mind of the bricklayer and his labourer, each little employer has his own little wage fund which bounds the horizon of the self-interest of his employed. It is the exploitation of this particular morsel of the "Wages Fund" which seems to them to call for the combination of their organized efforts in the supposed interest of their class, by each man limiting his own productiveness so that he and his fellows can contrive to make their product as dear as possible. The opposed and broader conception that as by productive effort they succeed in cheapening the results of their labour so the effectual demand for the product will be enhanced, and that this in its turn must necessarily tend to increase the value and price and bring about a higher rate of wages, is unfortunately beyond their conception in this country. But in America their comrades, no less tenacious of their legitimate claims, have assimilated the wider truth, and their leaders do their best to encourage rather than restrict the productivity of the individual worker, so as to give the fullest possible scope to the public demand. To a greater or less degree, this mistaken conception of self-interest pervades industrialism

in Europe over its whole extent. Each labour-saving and production-cheapening device in turn is the occasion for some fresh manifestation of hostility on the part of the manual worker, and they cannot free themselves from the superstition that the true interest of the workman is bound up with the costliness of what he is producing. This is one of the reasons why in the race for economic predominance and the struggle for the supremacy of neutral markets the Old World is in process of being outstripped by the New, at the same time that the labourer in the United States has attained a condition of independence and a standard of comfort in life which his European comrade regards with an angry and unintelligent envy; and the capitalist and employer reckons his profits by the millions of dollars while the British or German master has to think in thousands of pounds.

Here the limitations of space and time compel the relinquishment of the examination of concrete industrial process. The ascertainment of fact, if there is any validity in the conception of the true function of Economics entertained by the writer, is the only source of knowledge accessible to the thinker. "All the rest is leather and prunella"; but until an exhaustive encyclopædia of industry elaborated by true statistics has been compiled on these lines, the science of Economics must remain rudimentary and tentative only. Meanwhile the utmost that can be done is to assist mankind in realizing its own ignorance, incidentally dealing with some of the theories which that ignorance has built up for itself out of the introspective contemplation of its own mistaken conceptions.

CHAPTER VII

WEALTH DISTRIBUTION AND MEANS PRODUCTION

Commerce

To attempt to analyse the multifarious special operations of trade, even to the limited extent followed in the foregoing chapters with respect to industrial and manufacturing production, would be a task transcending both the powers of the writer and the limits which it is convenient to set to the present introductory work; nor, for the correct appreciation of essentially determinant economic facts, does it seem that such a method of treatment is really needed. For however specialized or localized on the one hand, however generalized and far-reaching on the other they may be, all commercial transactions whatever follow one and the same law and are subject to precisely identical influences of causation. Commerce may be looked at in two lights: on the one hand as an automatic process in the equalization of values, from place to place, and from time to time, by the distribution of commodities from places where they have less value to other places where they are expected to have more: on the other hand it has also to be regarded as the world process of the alternative transmutation of commodities into Means and Means into commodities; the incessant "buying and selling" of commodities and the machinery of their transportation. Trade is an integral part of production; for this includes the energy utilized in distribution. And the industries are inseparable; for what is wanted is the thing in the place where it is to be used; and the process of its production is incomplete till it reaches the hands of the consumer. That part of it which moves the material at any stage or the finished product from one place to another is commerce. For this, as for the industrial part of production, acquisitiveness is the motive; acquisitiveness of a specialized order, developing along the line of the correct estimation of differences of value, and induced by the hope of acquiring profit by taking advantage of them; by shifting things and money

from one place to another, by choosing the proper future moment in which to buy or sell the results of labour. Now this power of estimation is essentially a function of the individual or of the organization of individuals. The State not only can do nothing by way of exercising it, but must do nothing. It is a trustee, essentially incapable of being moved by self-interest. The nation may have interests, the State is only capable of duties.

This moving to and fro of things in obedience to the dealer's conception of the wants of mankind is a world-process, tending to the equalization of world-values. There are subsidiary minor currents set up within the boundaries of each country, adjusting and directing local supply to meet local demand from place to place within the country; from the market of production to the market of consumption. But these must be ignored from the economic point of view, which must in this respect be essentially international; and though their estimation is a vital process in the domestic economic life of each country and of each locality, in what concerns the commercial function of the collective nation they take no share. The energy of each nation finds employment in the setting of them in motion, but that is energy produced and consumed at home, and only capable of exercising influence on the commerce of the particular country as a unit in comparison with other units, by virtue of such profit as its people engaged in this part of its industry are able to appropriate to themselves; which forms a part of the Means of the people of the country. The world over, the function of commerce is essentially the perpetual transformation of Means into Wealth, which is production; and the retransformation of Wealth into Means, which is consumption; any attempt to treat of commerce as a regulated process of "barter" or "exchange of commodities" *inter se*, simply facilitated by the employment of money as a sort of denotation of market values, issues in fallacy and confusion.

A country mainly concerned in production fulfils the functions of employing its Means in absorbing the raw materials of the world necessary to supply its industries, and working them up by human energy; and of re-exporting so much of the product as is in excess of its internal requirements; the distribution and exportation of the balance being simply a part of the process of production at the place in which the product is ultimately marketed. What each country sends out, therefore, from foreign things will equal in value what has been brought in to produce it from, *plus*

what is added to it by manufacture, and *minus* the value of that part of the product which is absorbed at home; and in the additional value conferred by manufacture must be reckoned, of course, the value conferred by the transportation of goods by the enterprise of that country to the foreign market. In the same manner, also, what is made and sent away from materials produced at home acquires its value, and earns its exchange in Means. And most things are made partly from materials imported and partly from indigenous stuff and by the aid of other things made at home. Take a concrete instance. Assume an amount, say £20,000,000 worth, of cotton fibre imported into England in a given year, which is worked up in Lancashire by the use of English coal, machinery, other materials, and energy into, say, £70,000,000 worth of cotton cloth; of this seventy millions of cotton stuff, take twenty for home consumption; fifty go abroad. To the fifty there comes to be added in value the reward of English enterprise in organizing the means of its transportation to Valparaiso, or Odessa, or Shanghai, and this, maybe, represents another million or two; which is the cost, *plus* profit, of that particular employment of British energy. There is then, therefore, set a-going a current of goods outwards and value inwards to the extent of, say, £32,000,000 on balance *pro tanto*, in favour of British industry. If this were the sole external function and business of Britain, and everything else used here were produced in the country, the values of the world would therefore tend continually to concentrate themselves year by year on this country to that amount. In one sense the rest of the world would be annually paying in this thirty-two millions somehow in values, whether in money or credit or goods or securities is immaterial; because each and all of these are in normal times mutually interchangeable.

Some part of the debt to us will have been paid by means of the original twenty millions of raw cotton sent in; as to the balance of thirty-two, which the world would owe in respect of the issuing fifty-two, why, that would come in the shape of other values, whether in gold, or in goods, or promises to pay, or securities, or the mechanical services of transportation to England, and in what proportion of each is entirely irrelevant to the question. For what is wanted in England is the value and price wherewith to add to the Means of the English. And this is the whole story and

analysis of all the commerce of all the world, when "boiled down," as they say, to its simplest elementary expression. But the actual process of commercial enterprise is of course infinitely more intricate; complicated, that is to say, not only by the immense variety of enterprises within each country, but still further by the action and counteraction of all countries on each other, each with its own cosmos of industries, all of which depend on the markets of the world. The process differs *toto cælo* from the primitive "barter," which is the obtaining of goods for goods. The producer requires in exchange, not goods, but Means, whether to be expended in goods at the moment or in ten years' time, or to be embodied in the acquisition of the right to acquire future means by investment; but the purposes to which these Means are intended to be devoted by the man who acquires have nothing to do with the results to him of his industry of production. He also requires other goods in exchange for his own Means; but that, as Mr. Rudyard Kipling would say, is "another story." His demand and production alike are determined by demand, which is the readiness of the Means of other people to transform itself into his goods, and by "supply," which is the correlative faculty, not of himself only, but of all who are engaged, of supplying that demand in competition with other producers elsewhere of similar things; and by no other consideration whatever.

The commerce of a country is made up of the multifarious aggregate of these transactions in all conceivable branches of industry, acting and reacting on the similar network of organizations throughout the world. But in respect of each molecule of the world's trade, the acting force or motive is one and the same everywhere, which is demand; and no other motive is so much as imaginable. The means of each purchaser are susceptible of increment by his trade, no doubt; and the more he can profitably produce and supply, the greater his capacity *pro tanto* to absorb those things which he may desire and which other people have the power of producing. But his need and desire for any particular class of goods or for the goods of any particular nation does not necessarily augment with his power to purchase, nor can he have any particular impulse to acquire goods from country A rather than country B, simply because he happens to have sold goods to country A rather than to country B. That would be absurd. Why should he? The machine-maker

in Yorkshire owes no gratitude and is under no servitude to Sweden either because his iron comes from Sweden, or because he has sold patent ploughs to Swedish customers; and if he wants lucifer matches, he will buy English, or Swedish, or Japanese indifferently, according as they best suit his requirements. All are paid for in the same way, out of the same fund, and indifferently; by the acceptance of drafts drawn in Stockholm, London, or Yokohama, as the case may be. For all the means of the world are equally at the service of commerce, ready to be drawn from in obedience to any and every current of value setting in from any one spot to any other on its surface. A very small proportion of commercial transactions is begun and completed between the country of original production and that of ultimate destination. Such a thing may occur, but in general the total balance only of the values of the entirety of its transactions reaches the finance of one country; and from what particular point of the world's ocean each rill of the total current arrives is as insusceptible of analytic discrimination as would be the identification of the particular spot on the surface of the ocean from which was drawn the particle of vapour which, incorporated in a particular cloud, has wafted through the air, till carried on the south-west wind it has been deposited at a given moment and at a given spot as snow on the bosom of the great glacier of Norway. The cloth weaver of Bradford exports stuff which finds a market at Hankow. He does not get tea or silk from China in exchange, nor necessarily does England as a whole, for at the moment it may be that England has a fancy to buy its tea in Colombo or Calcutta or its silk from Italy, and no more cloth will go to Hankow because more tea has been drunk in Bradford. The producer gets his value in the form of the acceptance of a bill of exchange, probably by the London agent of the Hankow warehouseman, or it may be that the consumer has paid beforehand by cheque of the man who buys the cloth in London to export it to Hankow. In what form does the value come back from Hankow to redeem this promise and liability? Well, Hankow has sent silk to San Francisco or tea to Kiakhta; and by devious ways, equivalent values dribble in to London from New York or St. Petersburg in any one of a thousand forms; some part of a cotton shipment from Charleston, some debentures of the Pennsylvania Railway Company, or shares in the Amalgamated Copper Company, a bill drawn against a shipment of

bristles from Riga to Hull, or against a bale of carpets from Smyrna to Marseilles. Some part comes in goods, some in promises, some in investments, something in the services of transportation, some trifling part even in the form of gold; and commerce accepts this all indifferently, and concerns itself not with the country of origin but only with the adequacy of value. And this illustration of the complex working of things as they are errs immensely on the side of simplicity. In reality the complexity of the mass of transactions is more complicated than this a hundredfold, and no sane man would essay the task of analysing the transactions of a single day, in any one market of any one of the commercial centres of the world; and to generalize about it is mere fatuity. By the side of this complexity, the complicated accountancies of the bankers' clearing house assume the aspect of mere arithmetical simplicity.

In this view, which is the concrete and the actual one, what place is there for the dogmatisms of the economist about the relation between exports and imports? The good old fallacy of the mercantile theory of the "balance of trade," the infantile notion that there is something essentially disadvantageous in the process of turning means into goods, and that therefore a country is on the road to ruin when, on balance, its imports exceed its exports, was effectually disposed of by Adam Smith* more than a century ago. And yet this "mercantile theory" continues to parade itself even into the twentieth century under very thin disguise in the platform speeches and polemic pamphlets of the ardent "Protectionist." Somewhat in this guise: "Look at the money we pay to Germany. What have the Germans done for us, that we should buy pickles from them, when we can get them so much better in Soho Square?" That is the gravamen of the Protectionist reproach, and, as will be shown in a later chapter, it is not altogether devoid of a certain modicum of force, when looked at from an entirely different standpoint. The answer that we do not buy German pickles because we love the Germans, but because we like their pickles, is not entirely exhaustive of the merits of the case; but of this hereafter. In this chapter one is dealing not with the arguments for Protection, but with the economic facts of commerce. But then, what is to be said

* "Wealth of Nations," Book IV., Chap. I.; also Mill, "Principles of Political Economy," Preliminary Remarks; Cairnes, "Political Economy," Part III., Chap. IX., § 2.

in defence of the counter-falsehood of the Free Trader *—the canonical fallacy of the Cobden Club—that the demand for the goods produced in a given country, and, therefore, the opportunity for the employment of its labour, depends for its existence on the power of that country to absorb the goods of other nations, so that the export trade is a function of and dependent upon the import trade, and that every measure that tends to discourage importation must *ipso facto* be condemned as impeding production? This thesis may be conveniently stated in the words of an authorized exponent of "orthodox" economic thought. Quotation is made by preference not from the sacred canon of dignified professorial text-books, but from an ephemeral controversial pamphlet issued in 1879 by Mr. Augustus Mongredien called "Free Trade and English Commerce," addressed *urbi et orbi*—for the conversion of the man in the street from the impious errors of "Protection." It is always the most instructive course to note the words in which doctrine appeals in popular form to the uninstructed mind. That is the dynamic manifestation of truth and untruth in action. The quotations are verbatim; selected not for the purpose of taking sides in the "Protectionist" controversy, but simply to show to what extent the veracities are capable of being deflected under the stress of popular polemics.†

* Mill, "Principles of Political Economy," Book V., Chap. X., § 1, and Book III., Chap. XVIII.; Cairnes, "Some Principles of Political Economy," Part III., Chap. III., § 5. See also Ricardo, "Principles of Political Economy and Taxation," Chap. XXII.

† (1) That balances due by one country to another are paid directly or indirectly in commodities, and not in specie, unless occasionally and to an insignificant extent.

(2) That consequently for every export of goods that is not sent to pay a previous debt there must be an import of goods to the same amount; and *vice versâ*, for every import of goods that is not received in liquidation of previous debts there must be an export of goods to the same amount.

(3) That all artificial limitation of imports necessarily limits exports to the same extent.

P. 9. "If it is not specie that we receive in return for our exports, or that we send in return for our exports, there is no alternative but to conclude that they pay for each other. In the case of national indemnities, subsidies, loans, interest on loans and foreign investments, these are paid for by the export of goods without any return for them. But as far as commercial dealings go, it is utterly impossible to export goods without importing goods to the same amount, and *vice versâ*."

P. 14. "All are agreed as to the great advantage it is to a country to export largely, only it must not be overlooked that those exports must be paid for in goods, since, as we have seen, specie is not used for that purpose (except sometimes provisionally and to a fractional extent). If therefore you import little, you can only export little. If you want to export much you must import much. You cannot curtail your *bête noir*, imports, without curtailing to just the same extent your pet, exports. For every hundred pounds' worth of foreign articles which, by

Instances of the uncommendable iteration of this weird esoteric dogma could be multiplied indefinitely by further quotations from the booklet in question; and the thesis seems to have captivated the mind of the more austere text-writers as if it were a divine revelation which it is impiety to reject. Mr. Mongredien tells his readers that to reject this revelation is to fly in the face of the consensus of scientific opinion throughout the world. Only two out of fifty great authorities, he says, have favoured the idea of Protection, and as to these two, why, there is something wrong in their intellects. This may be so.

In the meantime, if the cause of Free Trade rests on the interdependence of exports and imports, the eternal verities are indeed in parlous state; for if the "mercantile theory" is not capable of a better refutation than this, why then it *is* true, after all, from beginning to end.

But the whole thing is nonsense. The purchasing *power* of a country depends on the Means of the people of that country. In whatever form those Means are incorporated, the people of that country can exchange them for such goods as they require. The enhancement of these Means depends on many conditions, one of which undoubtedly is the profitable prosecution of manufacture and trade in that country. Another and more potent one for the moment, though losing its potency if not continually reinforced, is the accumulation of investments by the people of the country. For not only are these exchangeable, but productive; and in any country the annual produce of each fresh investment can be employed *pro tanto* year by year to replace so much of its means as has during the year to be

prohibition or by prohibitory duties, you prevent coming into your country, you prevent one hundred pounds' worth of your own articles of production from going abroad. It cannot be repeated too often, because it is at the very root of the question, that to restrict imports is (by the inexorable law of logical sequence) to restrict exports to the same extent, and therefore to that extent to restrict foreign trade."

P. 15. "Practically all interchange of commodities is barter, and money is merely a common standard by which to measure their relative values."

P. 26. "The plausible cry under which this mischievous policy [Protection] is usually inaugurated [*sic!*] is, 'Do not let us pay the foreigner for what we can produce ourselves!' The answer is obvious: 'You do not pay the foreigner for his goods in the sense you mean it, that is, in money. Imports are paid for by exports, not in bullion.'"

P. 39. "But beyond the amount of such debt payments, it is an incontrovertible fact that for every hundred pounds' worth exported, a country must receive back one hundred pounds' worth of foreign commodities. [!] If you determine on only importing fifty pounds' worth of foreign commodities, you must be content with only exporting fifty pounds' worth of your own production."

transferred to other countries in return for goods or other values imported. Transactions of import and export are in no respect whatever analogous to barter. The goods you export to country A are not necessarily replaced or compensated by any imports from country A. They may or may not be compensated by goods from other sources, and the comparative equivalence of such compensation depends on an intricate co-operation of a multifarious variety of causes, operating in all the countries in the world, which determines whence and to what extent the compensation goes; whether it takes the form of goods, of gold, of services, or of securities.

Gentlemen like Mr. Mongredien are reduced to avail themselves of such statements as the following, in support of the position that what one country owes another must be paid by the exportation of goods. "Germany," he says, "for example, exacted something like two hundred millions of pounds of war indemnity from France.* How was that paid?" he asks. Only a trifle went in bullion, *therefore* the rest must have been paid in goods. (!) It does not occur to him to consider what like the practical concrete phenomenon would be in any country in the world if it really had to export in payment of debt, in the course of a year or two, two hundred million pounds worth of goods, in addition to the normal strain on its productive resources, or how possibly so much could have been exported from France in the given time without imprinting indelible records of its transit through the custom houses of the world. He does not think it necessary to inquire, as a matter of fact, what the record of the export of goods from France actually shows through the period over which indemnity was spread, or whether it exhibited (for it did not) any marked excess over the normal export of the country in the days before the war. He assumes that the value must have been paid in goods "because so little was paid in money." Why, there is not a stockbroker's office boy in the City of London who could not have taught him better than that. The money was paid by drafts on financial centres in the world, and by an organized co-operation of finance, and in due course the debts thus created were gradually satisfied, in part no doubt from values of the proceeds of exportation, but

* As to the truth of this audacious statement, see Bagehot, "Economic Studies: The Postulates of Political Economy," p. 90. Bagehot understood what he was writing about.

in far greater part by the direct transfer to other countries of securities held in France, and of evidence of French indebtedness. And this obvious and notorious fact, of which not even a member of the Cobden Club has a right to be ignorant, is unrecognized in the strife of economic polemics simply because it upsets the whole sacred theory. The truth is, that the imports of every country are paid for by transfers of value and not otherwise, just as its exports are similarly counterbalanced. And what the values paid and received will eventually consist of and what they represent are matters determined by the circumstance of each paying and receiving country. Britain, for example, imports in value (year 1907 trade return), say, six hundred and forty six millions of pounds worth of goods,* of which ninety-two millions are merely in transit or re-exported immediately. Against the effective net import of five hundred and fifty-four millions, goods are exported to the amount of four hundred and twenty-six millions, leaving, in round numbers, one hundred and thirty millions of pounds worth of imports needed, in addition to the total production of the country itself, to satisfy its annual appetite. Now the internal productiveness is prodigious, but impossible to estimate, and these returns therefore in no way suffice to give any idea at all of what is the total annual demand for all commodities in the United Kingdom, what is the measure of its appetite, or—what comes to the same thing—what is its inherent mercantile potency of demand. For it is the "effectual demand" of a country which creates its power among the markets of the world; supply takes care of itself. Were one to adopt mathematical symbolisms it would be an interesting exercise of ingenuity to formulate the correct equation to indicate the inter-dependence on the one hand of its total effective demand, and on the other of its productive and purchasing capacity. For the relation of the two variables must apparently be in the nature of a fairly direct function. In the interests of general intelligibility it has been determined to avoid recourse to mathematical symbolisms in these chapters, which are but introductory to what the writer hopes may eventually be adopted as a neutral and scientific method of regarding actual phenomena. If they are of any value as indicating a scientific basis for economic thought, mathematical denotations and quantitative analysis of

* The exact figures for 1907 are £645,807,942. Our exports for the same period were £517,977,167.

statistical material will gradually be worked out by somebody of greater analytical skill than the writer. To return to the trade returns for 1907 and the inferences they warrant; the total balance discrepancy of something like 23 per cent. by which British imports normally exceed exports is by no means any indication of weakness or deficiency of power. On the contrary, it indicates that the nation consumes the equivalent in value of all that it produces, *plus* a further one hundred and thirty-four millions' worth of commodities which it is called upon to acquire by transmuting its means into foreign goods. And here is this further pregnant fact: that this process of the annual expenditure of means has hitherto gone on year by year not only without any impoverishment of the country, but side by side with a continued accumulation in excess, evidenced significantly by the continual enhancement from year to year of the productiveness of the income-tax at each penny in the pound. "Pourvu seulement que cela dure."

The Free Trade people are absolutely right, it therefore seems, when they point out that the preponderance of import is the mark of a prosperous and progressive country and that it is in that way that its potency is exhibited.* And yet, for all that, there is a certain shred of veracity still adhering to the remains of the discredited foolish mercantile theory of the "balance of trade"; simply because it follows that it is by increasing the productivity of the nation itself, and so increasing both the exports and that proportion of its wants which can be satisfied by its own effort, that this surplus of annual power, this excess of the productiveness of means over the annual requirements of consumption, can best be preserved and increased. And here Protectionists score by a better intuitive appreciation of truth over their opponents. The preponderance of import is an invaluable indication of the commercial potency by which it becomes possible to import without weakening the importing community; but it is not in itself an element of strength, but rather in the nature of a force tending towards exhaustion, which according to them it should be one of the aims of financial statesmanship to control and put limitations to. But whatever else these figures teach us, one thing is obvious: and that is that they effectually dispose of the grotesque notion that commerce is equivalent to a process of barter of goods for

* Cairnes, "Some Principles of Political Economy," Part III., Chap. III., § 5.

goods; for if it were, the figures of imports and exports would approximate in every country; which they do not.

It will be seen from Chaps. XI. and XII. that the main practical problem of economics is a national one; and ancipitous; not only how to add to the available means of the people of a nation, but more especially how to ensure that those means should most advantageously be distributed among that people. There are many other problems which equally demand solution, and these will be duly noted in their place. But this is the central problem of the whole; the answers to the others are comparatively matters of domestic detail: while this needs for its solution the application of the national power acting not only within its own borders, by the perfecting of its own institutions but to some extent also, it may be, externally to itself, imposing itself as an influence determining the actions of the people of other countries.

One of the methods by which the collective well-being of the people of a country may most clearly be subserved appears to be the extension of the opportunity of profitable employment for industry. What energy is not employed is faculty wasted, what is employed unprofitably is exertion wasted; neither adds to the general well-being. It will be seen in due course that in all progressive countries the capacity for production is under normal circumstances fully adequate to supply all possible demand, and tends to increase year by year with each successive perfecting of the appliances and contrivances of industry. Therefore what is needed is the enhancement of the opportunity of *profit* in production—the extension of the commercial demand both within the country and without. It is because they appreciate this truth, and set themselves to the attempt to tackle the problem from this point of view, that the Protectionist people, in spite of the many unsound reasonings which they, like their opponents, are apt to have recourse to under the stress of public controversy, are developing a power in the country. This particular controversy will be dealt with in a later chapter.

A more vital and fundamental question lies behind it which has not yet emerged into the region of politics, though speculative thought has begun to hover round it, which is this: is it, after all, to be desired in the true interests of a nation that despite the annual drain of Means for the satisfaction of its material requirements of commodities, the net annual accumulation of Means

by its people should continue to increase progressively and indefinitely?* And if not, how to set bounds to it without undue discouragement of adventure? For Means demand investments, and investments must take the form of an enslaving of future productiveness and enchaining of posterity.† Now, in so far as the process of the devising of fresh means of investment manifests itself in some enterprise essentially remunerative in itself, tending, that is, to augment the total earning power of the community, each successive embodiment of Means in fresh enterprise tends to create the power to provide for its own remuneration.

But it is not every enterprise that is justified by its promoters as certainly productive of profitable return in itself, which really adds to the net productivity of the country in which it is to operate. One hundred million pounds may be taken from the year's accumulation and laid out in the construction of a new railway. The railway in itself may "pay" and provide the interest and dividend anticipated by its promoters; but that fact does not necessarily make it truly productive. How much of its apparent remunerativeness truly constitutes an addition to the resources of the country, is quite another matter. Something will no doubt be added to the general net productiveness by the provision of a more convenient machine of transport; but the main part of the anticipated remunerativeness will amount to a mere re-distribution, an abstraction of the earnings which would otherwise be divided among owners of other pre-existing railways already serving not quite so conveniently between the same points. So a municipality may borrow money to construct tramways to diminish the traffic on railways, or a new factory or new distributing retail magazine may be started with a big capital to try and divert public custom in competition with existing industrial and commercial organizations. But each such "new" investment clamours for its own remuneration, and those interested in each work their hardest to obtain their own "profits," and the energy of the country is set to work to find them all, in addition to what it is already paying in the form of dividends and interest and "profits," all more or less to the collective impoverishment. And here comes the further and

* W. H. Mallock, "Critical Examination of Socialism," Chap. XIV., p. 249. See also Chap. IX., p. 125.

† *Ante*, p. 29.

still deeper question—What good does the mass of the community really derive from this progressive coacervation of means in the hands of the capitalists? These are two vital questions, the consideration of which must be reserved for a more concrete and statistical analysis than is within the powers of the present writer. But it is desirable to advert to them here, in order to warn against the insidious infection of that vulgar megalomania which takes it for granted that all evolution is essentially beneficial, and things are necessarily the better, the bigger they grow. It is not sane to assume that everything which appears to tend to the collective enrichment, in reality subserves the interests of the people as a whole.

For the present purpose it is necessary to advert once more* to the consideration of the great inequality between the values of imports and of exports in a progressive and prosperous country, occasioned by its need of goods in excess of the values which it is capable of materially producing within its own borders. There is a "balance of trade," as it is called, against that country of so much in each year. This balance, of course, is not paid in gold: the movements of gold follow laws of their own independent of the currents either of goods or means; laws which operate with great exactitude to supply the demand for currency, leaving in each country through which the stream passes such proportion of its bulk as is just sufficient to make good the consumption in industrial process and in the attrition and waste of coinage. According to the orthodox dogma, seeing that the United Kingdom imports, say, on balance, a matter of a hundred and thirty million pounds' worth of goods yearly, it should at any rate in each year thus capacitate itself to export additional goods to the same amount wherewith to conduct the "barter." But nothing of the kind takes place; nor is it, on the other hand, scientifically true that what is over is taken, so to say, in payment of a "great debt" owing to England from other countries, in the ordinary sense of debt. Nothing of the sort. On balance between countries of the incomes of their respective investments with each other, a considerable sum is no doubt due to investors in the United Kingdom, for instance; and this is paid by the transference of values and utilized by the British in the same manner; but to nothing at all approaching so stupendous a sum as, for instance, one

* See *ante*, p. 124.

hundred and thirty millions of pounds. What *is* true is, that the people of England possess an immense mass of invested means, invested in their own country, and in every other country under the sun, constituting not a "debt" in the sense of money payable, but a claim on futurity to participate annually in the profits and the taxations of their own and of every other country; that these are productive of income, the surplus of which will in due course reincarnate itself as new capital; and that the British profits of industry and commerce in each year, together with the whole of this mass of investment and its yearly produce, are being constantly transmuted partly into goods and partly into the acquisition of fresh embodiments of means; and the mercantile and financial organisms of the world are always facilitating a continual transformation of these means into commodities, destined for each country in turn, just to the extent to which there happens to be commercial need of those commodities in that country, and no further; no, not if any country should follow orthodox precepts and strive to the utmost to extend its power of exportation by inflating its own imports to any degree imaginable. You may inflate your imports to the point of explosion, but you will not thereby succeed in exporting an additional pennyworth.

And the same thing is going on more or less in every country of the world alike at the same moment, and the resulting current of values directs itself in obedience to this law and no other; while what form these values may take depends entirely on the demand in each place for this or that embodiment of value. Increases in the trades of export and import are, it is true, generally concomitant with each other; but it is mere assumption unverified by any ascertained fact, to regard either as a determining cause of the other. They are both affected by the same set of ultimate causes, and it is by virtue of this that their general concomitance is manifested. To represent either as a causative factor of the other, is gratuitous assumption. The greater prosperity which in one direction manifests itself as a larger consuming power, undoubtedly has a simultaneous effect, working through a chain of altogether different causes, in enhancing the power of production; and in that way it may be said that the same cause which leads to greater importation of goods will normally also tend to pave the way to an increased power of exportation.

But increased exporting power is ineffectual by itself; it needs imperatively, before it can manifest itself in action, the stimulus of external commercial demand; and that in its turn is a compound function of the needs, the means, the preferences and conveniences and the fiscal regulations of the people of other countries to whose markets it is desired to export. It is a function of nothing else in the world besides. So much for the mysterious and esoteric doctrine that the power of the country to produce and export depends in any way on the capacity of that country for absorbing importation. Examined by the light of actual ascertained fact, the whole notion turns out to be sheer pedantic nonsense.

CHAPTER VIII

MEANS-DISTRIBUTION

Finance.*

The specific function of finance is the distribution and utilization of Means, just as the task of commerce is the physical distribution of commodities. Incidentally, what has to be observed of the process of the accumulation of Means has been already indicated. They originate with the accumulation of that surplus or profit of the economic process which is left over after reproducing the value of the necessary cost of production; the surplus of wages after providing for the existence of the producer, the surplus of income after the satisfaction of the needs of the consumer, the immediate fruit of the instinct of acquisitiveness. And it is noteworthy in what different degrees this instinct operates on the actions of different races of men under different

* This chapter is but a fragment. There is no justification for offering anew a detailed analysis of the institutions of finance and their working; for the more important part of the subject has been all but exhausted by Bagehot in his "Lombard Street," with an accuracy and insight which the present writer could not presume to attempt to rival. It has been therefore thought superfluous to pretend to add anything here with respect to the essential functions of finance, which are "banking" and "discount." The sister-locality, "Capel Court," has also its historians and investigators, and the exercise of its functions comes in for much more minute and detailed observation and description daily at the hands of the financial authorities of the Press. But these notices and descriptions are lacking in the authority of thoughtful and detached estimation which gives to Bagehot's work its great value. On this part of the subject, therefore, the writer has felt justified in submitting a few considerations from his own point of view. But in neither aspect is it claimed that the chapter is more than a mere sketch and *résumé*. The real purpose of this work lies in another region; it is the attainment of some means of dispassionate judgment in respect of existing perplexed controversies on the vital subjects dealt with specifically in Chaps. XII. to XXI. hereafter. To the elucidation of these the study of the phenomena of modern finance is by no means alien. But it is mainly uncontroversial, and has not been the plaything of the dogmatic political economy of the nineteenth century, which has obscured the issues on these other subjects, and the doctrines of which the writer is endeavouring to relegate to their proper place as abstract speculations not in touch with reality. Indeed much of the study of finance lends itself appropriately and legitimately to the method of abstraction. So that from Ricardo onwards, the economists when they have touched on purely financial subjects, as distinguished from the other more intricate and complex questions affecting industrial and commercial life, have been sane and thoughtful and masters of their subject. And there is but little to take exception to in this part of their conclusions, for in the region of finance the human being may accurately be looked upon as an embodiment of pure acquisitiveness.

circumstances. It has been said that the Scotsman, the Hebrew, the Hindoo and the Chinese, secrete "capital" as the bee secretes honey. Of certain other races it is undoubtedly true that they are essentially "fruges consumere nati." The ideal beatitude of the African is the minimum of labour. The Malay lounges gracefully along the slopes of his valleys, a disinterested and unparticipating spectator of the toil with which the Scotchman, the Chinaman, and the Kling are strenuously exploiting the resources of his country; and there are others nearer home, whose ideal of employment and scheme of life lie mainly in the seats round the billiard-table, the enclosures of the football ground, or the coverts of the wood. These, too, have their appointed place in the universe, humble as it may be. The economic aspect of life is not the only one; the defects and the vices of mankind have their appointed function in the general scheme of evolution. But for the economist, the vital process is economy; and civilization from his point of view is but another name for the development of humanity in the plane of the production and accumulation and employment of Means. The fallacy involved in refusing to ascribe "productivity" to any profit-making activity which does not in itself conduce to the material production of "Wealth" which is commodities has already been made evident.* Each reward-bearing activity of every sort gives rise to Means, out of which, from moment to moment, is set apart a varying proportion which serves as "Capital" in the continued production of Wealth.

In this chapter it is proposed to deal with the forms which Means assume, the modes in which they are stored, with their embodiments, so to say, and their transformations, on all of which their potency as a requisite of productiveness will be seen to depend. And in the first instance the main characteristic of Means is their immediate exchangeability by the contrivances of finance. And the exchangeable value of each embodiment of them consists simply of the confidence that at the will of the possessor they will be susceptible of being exchanged from any one form to any other, or into commodities. A man may elect, for the gratification of his æsthetic instincts or of the petty pride of possession, to embody them in the acquisition of the most infructuous of objects—jewellery, rare pictures, expensive porcelain, artistic articles of furniture, unreadable books, or even

* *Ante*, p. 105. See also *post*, p. 172.

obliterated postage-stamps; in those forms they are in his hands still Means, dormant for the moment, but having value in his eyes as potentially available for the process of production, so long as they continue exchangeable: so long, that is, as his belief remains true, that at the required moment he will be able to appeal to the æsthetic acquisitiveness of some brother-collector, who will be willing to exchange for them their equivalent in money or active Means. In themselves they are not wealth-producing, and lie apart, as it were, from the economic plane. When their desirability becomes extinct, then the Means devoted to their acquisition will have disappeared, having been a form of confidence in their exchangeability.

Money may be looked on as Means in the act of being exchanged for commodities; and similarly its value is essentially the measure of the confidence of men in its purchasing power. In a beleaguered city threatened with famine, money becomes singularly valueless as measured by its power to obtain the necessaries of life; and among a shipwrecked crew on a desert island, a cask of golden sovereigns would be offered in vain for one box of lucifer-matches. But the main embodiment of Means in the twentieth century is neither in commodities, nor cash, nor artistic treasures. They consist of promises to pay.

When Ricardo wrote, the emission of such promises was practically a monopoly of the sovereign powers of one or two civilized States, and their value was measured entirely and exclusively by the momentary confidence of man in the power and willingness of the respective States to perform their obligations. In one or two nations "charters of incorporation" had been granted to favoured aggregates of individuals, conferring upon these a perpetual succession, and the power, by their corporate name, to participate in this sovereign right of incurring indebtedness. The Governor and Company of the Bank of England, the Honourable the East India Company, the "Company of Adventurers of the New River," were early English examples of this devolution of the attributes of sovereignty; and their privileges were shared by other less fortunate corporations, such as the "Worshipful Company of the South Seas," and the French "Society for the Exploitation of the Riches of the Mississippi." The "value" of the shares, and of the promises to pay of these, sound and unsound alike, was always the degree of men's confidence, well or ill placed, that these incorporated bodies would be permanently

able and willing to fulfil the obligations which they had undertaken. The dawning of modern finance occurred within the memory of middle-aged men, when the first Limited Liability Act in England, and the almost simultaneous acceptance in other European States of similar legislation began to encourage a form of partnership or association in which the liability of the individual associate was confined to his subscription of a definite sum of money paid or to be paid. The effect of this new departure of legislation was to endow all these associations or companies, without any special charter, with a general power of contracting in their corporate names and binding their successors to the discharge of their obligations. The facilities afforded by this current of modern legislation were promptly taken advantage of by the possessors of Means, both in acquiring shares of prospective profit involving no corresponding personal liability in case of loss, and in lending and borrowing money on the security of the shares, bonds, and mortgages, and other forms of charge upon those prospective profits. And this process of "capitalization" was rapidly extended to banking enterprise, insurance, and trusts, which are companies of companies, companies formed to hold shares in other companies, financial agencies raised to the second power and designed to extend to finance itself the functions which finance fulfils towards ordinary enterprise.

In the last place there emerged into prominence in the middle of the nineteenth century a fresh devolution of the sovereign power of getting into debt, embodied in the permission of the State to the municipal authorities which are its local under-satraps, to assume liabilities charged on the security of their future powers of taxation. The "capital" subscribed and employed in the acquisition of all these promises in which Means become embodied, is solid and real enough. The benefit to be derived from them, a matter entirely of expectation and confidence, more or less solidly well-founded, but still at any moment at best but a notional anticipation. What, for instance, should be taken as the true value of any morsel of confidence, momently embodied in the inscription in favour of its proprietor of the record of his proprietorship, in the archives relating to the "public funds" of the United Kingdom, or of the Republic of Columbia, in stock of the Bank of England or of the defunct City of Glasgow Bank, in shares of the New River Company, or of the "New-bonanza Wild-kat Mine" of Central Borneo, as the

case may be? This has no relation whatever to the "face value" or ostensible money which each originally represented, nor to the cost, effort, or "abstinence" involved in acquiring the Means with which the respective claims have been purchased. Cost of production does not even pretend to have anything to say to it, the value of each consisting, as it does, just of the momentary demand for it, founded on the confidence or expectation of would-be purchasers and would-be sellers alike in the future productivity and permanence of each adventure. "Capital" is confidence.

But the process of "investment" is far more intricate than appears from this rudimentary statement of the manner in which its manifestations originate. The river of Means is in truth a network of reservoirs. Precisely as Man for the most part hoards money and not commodities, so finance deals in the main in securities rather than money, though as part of its function it assumes charge of the importation and exportation of coin and bullion. It is a world-organism which fulfils its functions in the exercise of that power over securities which securities exert over money, and money over commodities. Banks, insurance companies, financial companies and "trusts," the apparatus of the Stock Exchanges and the Clearing Houses, are some among the many reservoirs, channels, locks, and sluices, which subserve the purpose of storing and regulating the flow of means and thereby the distribution of Wealth throughout the world. Every drop and molecule of the fluid of Means has its individual "owner," but the stream along which all are swept is controlled by agencies transcending the will and power and engineering skill of the individual possessor. The insurance company is a reservoir of means stored for the purposes of foresight and thrift, primarily devised as a method for the equalization of chances of survivorship, and the discounting of the hidden vicissitudes of mortality. But it is far more than this. It is a vast engine by which the raindrops of individual savings are collected and employed for profit; and quite outside of the purposes of the individual savers, it subserves complex processes of the irrigation of industry by capital in the field of enterprise. The bank is primarily an institution for the collecting and storing of cash, but the cash which it is hourly collecting does not lie for a moment in its tills, beyond the tiny amount needed to provide from hour to hour the anticipated normal withdrawals by depositors. The bulk craves

for utilization by investment in confidence incorporated in promises to pay; and is so employed in discounting bills of exchange and in loans unceasingly resorted to by enterprises of production and speculation in the hands of the army of borrowers, who jostle at the doors the army of depositors who have brought in the cash which these others are for ever taking away to employ. The investment company, or "financial trust," is a collector and connoisseur of securities, exercising banking functions by way of selecting for the utilization of its means certain sets or groups of chances in which its directors take an interest, and as often as not owes its origin to a premeditated intention to secure "Capital" for a particular enterprise or set of enterprises. The Stock Exchanges were originally established to supply the need of a market for the dealings of those who desire to acquire or part with securities in the legitimate process of investment or realization. Their primary and ostensible function is the perfecting of the fluidity of Means; but their "quotation prices" in reality serve in the main as counters in the game of acquisitiveness, which is speculation. The rules of the game are familiar enough, the gaming-tables are set out in every city, the winning numbers inscribed automatically on thousands of "tapes" spinning forth their length in every club, hotel, and place of public resort throughout the world of civilization. All mankind is invited to the table to come and outwit each other at the game, but the man with the rake, the financier, plays against them all, and in the long run accumulates all the profits. "Quelquefois c'est rouge qui perd, et quelquefois c'est noir, mais Blanc gagne toujours."

At this game a favourite diversion of the speculator is a sort of martingale or *sorites* of purchasing. It consists of heaping securities on the backs of each other in this wise: The player, say, has a thousand pounds. He invests it in that amount of stock—say of some government, A, in the prosperity of which and its fidelity to obligation he has confidence. His money now has become "stock." Presently it occurs to him to anticipate improvement in the value of some other concern, say company B. He has not another £1,000 to invest, but his banker will lend him £850 on the "stock"; and then he purchases that amount in B "shares." And in the same way he becomes successively the legal possessor of £600 worth of C debentures, £450 nominal D bonds, 300 E scrip, £200 F certificates, and so to

the end of his little tether; and the bits of paper representing these respective values all go into the safe of the bank to the credit of his account, while against them are entered the debits representing the amounts he has paid for each, and the interest and commission thereon. In this way the man's £1,000 apparently swells till it stands for, say, £3,000, while all the time, in reality, he is a mere machine employed by the bank to select its own investments at *his* risk. If the machine does not act properly in all its selections, or if some financial peril or "scarcity of capital" arises and depreciates prices all round, then the house of cards is forthwith toppled over, "values" come tumbling down with a run, the bank races with its own customer to the nearest Stock Exchange to realize the insecure "security," meeting at the door the crowds of other bankers and their customers intent on the same errand. The banker "burns his fingers" a little, and for a moment, and the customer is exterminated. Nor is this all. The values of the unspeculative owners of A, B, C, D, and the rest of them are simultaneously affected by this heaping up of speculation of which they are innocent, the confidence in their ventures diminishes, and "values" come down with a run. So that the next morning the world takes its breakfast under the depressing consciousness that such and such a percentage of its total "Means" has miraculously vanished overnight into thin air by the consequent depreciation of its value. In truth, the Means of men are but a function of value, which in itself is but a manifestation of confidence, and resides not in the object but in the minds and motives and beliefs of its possessors: truly it is of "such stuff as dreams are made of." A collapse of values in the Exchange of one country reacts instantaneously in every mart and centre of the world. At seven in the morning of a given day in San Francisco are reproduced the fluctuations of value that will have been already originated at noon of the same day in New York, and these in their turn shall be but the echo and reflection of those that will have already happened at four in the same evening in London, at midnight of the next day in Bombay, and of what has already occurred the morning after in Melbourne.

If Wealth, which is commodities, is international and world-wide in its character and values, so ten times more so are Means in the shape of investment. No adequate purpose would be subserved by enumeration of the action of the many other organisms which go to make up the sum total of the world's financial apparatus,

in the way that it has been found desirable to particularize and enumerate under letters of the alphabet some of the industrial organizations which concern themselves with the production of "Wealth" properly so called. For these other instruments do not go to produce wealth, their function is really the distribution of Means.

One very notable exercise of the financial function is that which busies itself in the promotion and financing of joint stock enterprise. A "company," in so far as it is an association of persons concerned in the production of commodities, but steps into the place that would otherwise be filled by an individual capitalist. Its productive powers may in some instances and some respects be enhanced by reason of the more copiously available supply of pre-requisite Capital obtainable by association; on the other hand, its efficiency tends to be diminished by the lack of individual skill, commercial insight and adaptability—three qualities in respect of which the element of individuality is but poorly replaced by the mediocrity of a board of directors, and the lukewarm zeal of a timid and too numerous cohort of paid servants, compares unfavourably with the greater devotion inspired in those who serve individuals and are actuated by the hope of personal advancement to an eventual share in mastership,* while the liability to some sorts of corruptions is prodigiously enhanced. A company may advantageously be formed to prosecute on well-known lines certain enterprises of production or others of service in a familiar and well-trodden path, but never rivals the genius and enterprise of the skilled individual, either in striking out a new road to success through the jungle of an unaccustomed country, or in conducting the struggle against the competitive individualism of foreign competition.

Like the Capital and the "liability," the reward and incentive of an industrial company are strictly "limited," and so therefore is also the measure of its success. But it is not so much in the aspect of their mediocre efficiency that these incorporations of Means-owners claim the attention of the student of economics, as in respect of the exercise of their function of emitting in the form of shares and debentures the certificates and evidences of claim in which means are "invested"—what has been above

* See a very trenchant passage on this point by a well-known French publicist, M. Victor Bérard, "British Imperialism and Commercial Supremacy," translated by H. W. Foskett (Longmans, 1906).

called the "enchainment of posterity." Now a striking characteristic of the exercise of this power is extravagance and wastefulness, and the opportunity it affords to finance to exercise an illicit individualism of acquisitiveness at the expense of shareholders; and especially by way of financial adulteration by the process known as "over-capitalization." Take a concrete instance, which throws a light on certain of the operations of finance not altogether without a sinister aspect. Some railway has to be made or extended, some new process or patented monopoly, or some other concern already working has to be exploited by the erection or purchase of factories and the establishment of a commercial organization to stimulate demand and direct distribution. For the purpose of production on the proposed scale, say £100,000 is needed for the installation of the factory, another £20,000 for offices and the initial arrangements of a staff, and perhaps £50,000 for "working capital," which means the provision out of Means of sundry pre-requisites mainly for the sustenance of labour in advance of the time when the process is fully started and the product commences to reproduce its materials and earn its profit. Now this makes up a sum of, say, £170,000 "capital," that is really needed and must be used for the necessary establishment of the industry. If a private individual had to find those funds he would deem himself to have attained his ends very fully by providing £100,000 in cash, and borrowing the balance at interest from his bank or by mortgage of his land and buildings or machinery, or by pledging his personal credit. But let the professional "promoter of companies" take a hand in the transaction, and the operation is transformed altogether. He deals in no fractions. His £170,000 is immediately changed into £200,000, and this will be too little to start the concern on a basis of sufficient financial attractiveness. The financier scorns to see his name appended to the prospectus of a concern of a penurious and fractional an aspect, nor will £200,000 be sufficient for what he is wont to consider the legitimate initial outlay on such a business. Registered offices sufficiently prominent and attractive, a certain pomp and circumstance of opulent installation, well drafted "memorandum" and "articles" of association, emanating from an "eminent" firm of solicitors, a resplendent set of books, imposing safes, all the profuse documents of preliminary expense—that is to say, the toll taken by lawyers and special

framers of advertisements, something to allot for the "commissions" of the speculators who effect the "under-writing" (a familiar device for paying financiers to influence the "public" to subscribe), and inevitably a generous profusion of expensive advertisements, without which a certain coldness would be manifested towards the new venture by the "highly influential" Press whose profits arise from their insertion; all these have to be provided. And then comes the provision of qualifications in shares for well-groomed gentlemen with titles, whose ornamental co-operation in the ostensible direction is calculated to stimulate the confidence of the judicious investor, and who are not to be hired for nothing. The expenses of all these things may combine to raise the "necessary" capital of the embryo company to £250,000 at least even in the hands of the more scrupulously upright among "promoters." In England, as a rule, this represents about the proportion between what is needed and what is used; and the shareholders of a "company" which confines itself to these more avowable means of commanding financial success, may reckon themselves fortunate; this is, so to say, the comparatively "anhydrous" form of company organization, containing only what may be compared to the normal "water of crystallization" of a basic salt.

In another country and in some cases water is added far more freely; the £170,000 of the penurious individual capitalist, which, has turned into the £250,000 of "indifferent honest" financial rectitude, becomes there three or four or even five hundred thousand, when provision has been made for satisfying the cupidity of those who seek somewhat less avowable opportunities of acquiring affluence, and pride themselves on "getting in on the ground floor." *

In the breezier and more open atmosphere of the great nation of the West, where the exigencies of the law are less meticulous, and the doctrine of "Laissez faire" is pushed to a great extreme as regards solvency and good faith, and where there is little or no real intention on the part of those who control the municipal law to exercise any real control, there are less impediments to the acquisitiveness of financiers. Two at least of the smaller Atlantic States of the Union lay themselves out, by means of an ostentatious laxity of regulation, for the patronage of the

* Upton Sinclair, "The Industrial Republic," Chaps. IV. and V.; also Chap. VI., p. 186; see also Wells, "New Worlds for Old," Chap. VII., § 3.

more unscrupulous among the swashbucklers of finance. From within their tolerant borders issue prospectuses and documents of companies and trusts and combinations of companies and trusts, ambitious enough (if only they were not so fortunately short-lived) to absorb the entire available Means of the world in the gulf of their acquisitiveness, and which impose no effectual check on the rapacity of those who conduct them. Such a one, by no means comparatively large, was contrived about twelve years before these words were written, which was a splendid "combine" of about twenty "companies," of which only one possessed any solid assets at all, and those were of quite a modest and temporary character; but this universal trust issued its shares broadcast from the accommodating Alsatia of New Jersey and laid under contribution many innocent shareholders. Whether in truth there were any capital subscribed at all, the liquidators experienced great difficulty in discovering, while apparently the assets of the greater part of the subsidiary associations consisted of hopes of obtaining contracts by persuasive inducements to be exercised on the individual cupidities of municipal councillors in certain cities of the "States."

Once a concern has in the Free Republic reached its inevitable goal of liquidation, the affair is forgotten, and the promoters will have acquired and lost several imaginary "fortunes" in other ventures, before even public attention is directed to their exploits. But what emerges from the contemplation of the whole process is its sterility, and the purely imaginary character of the Means which for a moment it is imagined to originate. A certain outward luxuriousness of living and apparel is part of the necessary apparatus by means of which the financier of that sort plays the game, and counts really for nothing; nor do the figures of fortunes in imaginary millions of dollars imputed to the successful "bosses" of finance. All is merely what in the technology of another favourite national game of chance is known as "bluff." Boil the facts down to their essentials, and what turns out to be the real truth? The expensive gentleman who provides Gargantuan feasts at Sherry's, and swaggers about bravely in a coat of sables, turns out a knight of industry "like another," his elaborate apparatus of luxury just a means of advertisement. He himself would be content to live quite as happily on the five dollars a day with which he probably commenced his career, and with which he will deem himself fortunate if he is left to conclude it.

His fortune of tens of millions of dollars is a mere figment of the imagination; it has never existed and has never been capable of existing except on paper, and if at any moment it occurred that he was under the necessity of realizing it, the effort would prove futile, because the essence of the juggle consists in keeping all the balls of investment in the air together, and not allowing any one to drop to the ground of realization. Once you drive him to realize, his values disappear like magic. Out of nothing his means have arisen, into nothing they must disappear. He at least has never attained the beatitude of making two blades of grass grow where one grew before, nor desires to; the world has apparently gained nothing by his exertions and assuredly will lose nothing by his eventual disappearance.

Much of what has been above stated has purposely been written plainly, and with the purpose of indicating the dangers and abuses of that sort of cupidity which finds its most lucrative opportunity in the manipulation of Means for gain, which is finance; this has evolved the complex organization of a calling of intense astuteness, that of the dexterous exploitation by ingenuity of the general human instincts, credulity and greed. It is not by any means intended to suggest either that those engaged in the operations of finance are as a body exceptionally unscrupulous, or that their main function is not beneficent. Indeed, the very contrary is the truth; it is indispensable to the evolution of society. Civilization requires as a necessity for the production of wealth a fluidity of means which can only be attained by the development of the ingenious and subtle contrivances of finance.

Among human institutions, those of finance and of charity are distinguished by being specially subject to be preyed upon in different ways by the parasitisms of imposture and dishonesty; but this undoubted fact involves no more discredit on the upright financier than on the sincere philanthropist. And it happens that in many instances these two parts are played by one and the same person. Many instances will occur to the mind of the reader, of individual men and great business houses (especially, be it said, in London) who are as proverbial for their munificent activity in works of benevolence as for their wealth and financial rectitude, many of whom habitually tax themselves joyfully for the relief of misery to a much greater amount than the State could succeed in appropriating their means by compulsory taxation for all its purposes together. And not the least of the

services which an individualistic finance renders to the community is that of the creation of splendid funds which (to the great extent indicated hereafter in the chapter on altruism),* thus become available in helpfulness to those who work for benevolent purpose.

As for those others, those of the more predacious kind, it may be observed that the vulture, though an obscene fowl, has its appointed function in the economy of Nature. And so, strange as it may appear, even the parasitic abuses of finance seem to fulfil without any conscious purpose of their agents to benefit anyone but their own sinister selves, a certain beneficent appointed function. They bring into action, as it were, a natural salutary corrective, in checking the tendency to an over-accumulation of Means, which unless so limited might disturb the balance between the productiveness of future energy, and those claims on it which are being heaped up by present acquisitiveness. To write with any sort of confidence of the effect of this tendency and of the extent to which the check is needed to operate, would be, in the absence of sufficient statistical data, an absurd presumption. But some rudimentary statistical facts might be adduced which seem to indicate that the notion is not entirely fantastic.

The figures of the following abstracts of Returns of the British Board of Trade must be accepted with great caution and are obviously and necessarily imperfect, and to some extent misleading. What proportion of the new ventures annually registered get beyond the stage of registration; how much of the nominal capital which in each year the promoters invite the possessors of Means to devote to the acquisition of future profit really is so applied, is not directly indicated; but the fact remains, that in the United Kingdom alone during the last ten years, new profit-promising businesses have been instituted and carried at any rate beyond the merely preliminary stage, at an average rate of 5,000 per annum, with an average annual addition of capital of 180 millions of pounds. Simultaneously the other financial centres of the world are busy emitting similar paper offers to the capitalist to invest his means in similar new enterprises year by year to an extent on the whole much greater. In these also, or those of them which pass into the stage of actual working, the British investor participates to a great but unascertainable extent; while on the other hand the

* Chap. XVII.

foreign contribution towards similar British institutions is very restricted;—practically negligible.

Year.	Number of new Companies Registered.	Total Nominal Capital.	Capital considered as Paid-up, including Vendors' Shares.
		£	£
1897	5157	291,117,559	133,726,451
1898	5073	272,287,690	137,056,247
1899	4882	245,939,676	117,712,609
1900	4864	221,827,934	102,125,141
1901	3365	144,760,333	59,999,742
1902	3859	156,983,861	43,607,153
1903	4002	126,606,015	49,534,848
1904	3769	92,526,143	30.696.997
1905	4265	119,179,333	38,878,482
1906	4776	136,738,948	43,264,021

Meanwhile there is of course an annual mortality of these enterprises. Old companies die out, new ones are stillborn or survive birth but a few days. But the rate of this mortality is entirely incapable of accurate estimation.* The next table deals only with those enterprises in the United Kingdom the annual extinction of which is brought about by way of a compulsory process, or for regulating which the formal intervention of legal tribunals is found necessary. Financial stillbirths, which account for the majority of the corpses, are not followed by inquests as a rule, and therefore have no official record, and are not important; but there are many other cases in which undertakings are wound up, where the interests of creditors and contributors require no legal protection, and where, therefore, disappearance of "companies" leaves no officially recognized trace. The following columns therefore have no real relation to the preceding ones, the proportions in which the respective noted and unnoted classes of cases occur having no necessary relation to each other. Interments occur, so to say, in private burial grounds, where all parties consent to avoid the ostentatious expense of a public funeral, and the "voluntary liquidation" is carried through "on the quiet," without the "supervision of the court." In what way and in what proportions similar processes of dissolution are brought about in the case of foreign companies, it is altogether impossible to indicate. The following entirely inconclusive and

* Nor is its signification. Many apparent deaths are mere processes to the legalisation of resurrections.

inadequate table therefore can only be treated as a record of certain company deaths of a particular class in England and Wales. But even from that point of view it is not without interest.

Year.	Number of Companies wound up by Order of the Court, and furnishing a Statement of Affairs (England and Wales).	Assets.	Liabilities.
		£	£
1897	99	987,226	836,273
1898	123	1,343,968	1,230,321
1899	102	1,282,060	1,205,500
1900	109	1,252,880	1,423,578
1901	104	9,030,087	4,720,549
1902	104	1,298,475	1,752,944
1903	79	899,596	987,801
1904	94	1,182,119	1,324,425
1905	83	1,102,621	1,236,161
1906	109	1,276,187	1,364,200

Note as an interesting feature the apparently abnormal figure for the year 1901. This is neither a misprint nor a miscalculation; it is the particular indication during the decade in question of the prevalence in that year of the recurring element of panic, or "financial crisis," an epidemic which occurs at irregular intervals, the laws determining which are so obscure that some writers have been tempted to seek a fantastic ultimate cause in the mysterious recurrence of sunspots. As a matter of fact, the merest accident provokes at uncertain intervals in the world's finance system an acute attack of that failure of confidence which an admirable writer has aptly compared to a "systole" of the circulatory system. "Depression"—loss of remunerativeness of enterprise, failure of confidence, the ruin of companies and of individuals—may arise from wars, apprehensions of war, revolutions, the fear of hasty socialistic legislation, a famine in India, or, as in the case of a recent American panic (from the after-effects of which the United States are at this moment—November, 1908—beginning to recover and which has induced a sympathetic depression in the finance and industry of Europe), even such an event as a great fire in a great city. Thus the whole of the financial trouble of 1907—8 throughout the world is indubitably traceable to the conflagration in San Francisco in 1906. It may be noted in proof of the irregular recurrence and unpredictable

severity of these "crises" that in the year 1892—3 there occurred a still greater volume of "company" mortality in England, to be followed by a period of amelioration reaching down again past the time of minimum disturbance in the prosperous year 1897 to the disastrous 1907.

Some glimpse of the total working out in the United Kingdom of the continuous process of the genesis and extinction of "companies" may be gathered from a third table, which is comparatively authentic and to be depended upon, and the results of this are well worthy of consideration. It indicates the existing mass of British companies and the nominal amount of the Means embodied in them.

Year.	No. of Registered Co.'s in U. K.	Paid-up Capital.
		£
1897	23,728	1,285,042,021
1898	25,267	1,383,593,162
1899	27,969	1,512,098,098
1900	29,730	1,622,641,406
1901	31,429	1,725,940,512
1902	33,259	1,805,141,165
1903	35,965	1,849,455,005
1904	37,287	1,899,648,675
1905	39,616	1,954,337,135
1906	40,995	2,003,392,001

Here we find a steady progression for the past ten years of existing companies in the United Kingdom, presumably carrying on business; living organisms of association. The total shows an average net addition during the ten years, of two thousand companies per annum, with a paid-up capital increasing in each year by an average of £86,000,000; an increment at the annual rate of 8 per cent. in the United Kingdom alone, constituting not merely speculative and nominal, but in the main actual and effective additions, not by any means to the "wealth of the world," but to the totality of the claims on its future productiveness.

To what extent these claims will be satisfied, and to what extent they indicate a mere salutary spilth and wastage of superabundant means, no man can tell who has not before him the results of the separate analyses of the balance sheets and profit and loss accounts of each individual among the forty thousand companies in existence at the end of 1907 in the United Kingdom

alone; while to judge of the finance of the world, its rate of expansion, its threatening possibilities of the future and its intricate and gigantic reactions in the present, from the imperfect presentation of the fragmentary development in one and by no means the greatest of its many financial centres, involves a power of appreciating things as they are, which would transcend the conceptions of Bagehot in 1875, by almost as much as these exceeded in volume and intricacy the rudimentary notions of Mill in 1850, when finance had attained to a stage of development little more than embryonic, and international finance, as now understood, was an idea almost unknown.

In respect of "company finance" New York not London may be looked on as the true world's centre. The nominal volume of transactions in the United States transcends that which is consummated in Britain; possibly in all Europe. But it is impossible to estimate to what extent this consists of real as opposed to factitious transactions.

There is sham buying and selling everywhere. But this on the whole tends to decrease in Europe; while in "Wall Street" the proportion of the daily dealings which represents any real investment or realization of Means progressively diminishes.

CHAPTER IX

LAND AND RENT

Space is the one constant amidst the phantasmagoria of variants, the one concrete and permanent thing, containing the ever shifting and varying fluid ocean of "Wealth" and "Means" and "Energy." Economically considered, space is land; which while partaking of the characteristics both of Wealth and of Means must be confounded with neither. It is a "commodity," in so far as it is a "desirable object susceptible of appropriation." It is Means, apart from commodity, in so far as it comprises all possibility of productiveness. But those who would for a moment for purposes of deduction class land with either the one or the other, are digging for themselves a deep pit of fallacy. Therefore it needs a chapter to itself; and though much of what has to be said of it has already been said in dealing with commodities and with means, and need not be said again; great care has to be taken not to apply as a matter of course to land, any of the deductions which may derive from the consideration of the facts of Wealth or of Means. In the first place, land is national and not international. Each morsel of space has its momentary possessor, who can transfer it to another but never remove it, and whose possession is a temporary usufruct and never a complete dominion; but the real permanent owner of every spot of land in a country is the nation, as distinguished from the State. The State is in respect of this ownership the national trustee, bound to administer its trust in the interest of the people of the country and their successors.

Theoretically, land is the dearest of all things, for the demand for it has no ultimate limit, while the supply is absolutely fixed and constant, and it is this aspect of its ultimate value which gave rise to the over-hasty generalization expressed in Mill's "law of diminishing returns." Practically, and looked at in its world-aspect, land fluctuates in value according to locality, so that while 200,000 acres in the interior of Africa may be purchased from a native potentate (generally with a very imperfect

title, by the way) at the price of a case of trade rum, a gramophone, and a second-hand cocked hat; fifty feet frontage in Cornhill or Broadway are for the moment exchangeable at so many thousand dollars a foot. Eventually, it may be, the African dominion will prove the more valuable and expensive of the two, and space will be at a discount amidst the ignoble ruins of the skyscrapers in what was once New York. But the essential aspect in which it is necessary to consider the appropriation of space is the national one.

The word "property," as has been pointed out, is a fallacious and objectionable one,* and it is well to avoid its use where possible. The notion of "property" is so complex and artificial a creation of municipal law, that one has to beware of applying the word in respect of any object of value, for fear of being drawn into some false syllogism. But in dealing with land, it is impossible to avoid the use of the term "property," for it is the degree of appropriation of the land, not the land itself, which is the thing that is the object of value.

Space itself cannot be "property," any more than time, or the sun, or the atmosphere, or Newton's law of gravitation. What we really mean when we talk of "land," is that fragment of the utility of a spot in space which is for the moment susceptible of appropriation; the temporary right to cultivate it, to dig in it for its contents, to erect buildings on it, and to exclude one's fellow-creatures from entering it or otherwise interfering with its use or occupation. This only is what we mean by "property" in land. When we talk of the "value" or "price" of land, we really mean only the desirability of acquiring these temporary rights. The land itself is a perpetuity, which is beyond the reach of the acquisitiveness of the ephemeral individual.

This temporary right to appropriate the use of land emanates from the State, and, need being sufficient, the revocation of any right so conferred becomes the prerogative and may at any moment become the duty of the State. And in the exercise of this prerogative the State cannot be controlled, because being in itself the source of law, it is essentially superior to all law. If any individuals set themselves to use any rights they have acquired over land in a manner menacing danger to the fabric of the State, they must necessarily be brushed aside with as

* *Ante*, p. 36.

little compunction as so many flies on a window-pane — the welfare of the people being the supreme criterion. A story runs in newspapers, of some industrious and far-sighted German gentleman, who is reported to have managed to acquire the right to fell the greater part of the forests of the United States of America. When the proper time comes, that gentleman will be displaced by legislation as gently and unresistingly as the owner of an estate in England who would wish to forbid the running of a necessary railway line between two centres of population over land which he wishes to reserve for his private pleasure. The State cannot afford to endanger public in deference to private interests, though it often finds its aims deflected by the necessity for conciliating the selfishness or prejudices of classes, which are after all only private interests writ large. In this way it is that economics become "political" economy.

Mill * accurately expounds the truth that it is impossible to organize industry except on the basis of the individual "ownership" of land. "S'il n'y avait pas un propriétaire, il faudrait en inventer un." And according to him, the first thing to be done in founding a State, is to create plenty of landlords. Mr. Henry George persuades himself of the opposite conclusion. He finds the great crime of society in the appropriation of land, and the first duty of the State in the prompt exercise of its powers of resumption, and his method is progressively and not too gently to "tax all land-owners out of existence." † The truth lies midway between these views. The ultimate dominion over the land of a country *must* and does rest with the State, but its use, in the main, can only prove beneficial and profitable if confided to the individual possessor. For the economic utilization of space, individual acquisitiveness is the only adequate motive; and this will not apply itself to the task save under the stimulus of a sufficiently secure inducement of prospective gain. Communal cultivation has everywhere given way to individualistic appropriation for this reason, and this only, that in respect of agricultural production, land is a mere workshop—the area on which man manipulates the heat of the sun, the chemical properties of the earth, the element of moisture, the supply of the proper fertilizers and the application of energy, so as to bring forth his crops.

* Mill, "Principles of Political Economy," Book II., Chap. II., § 5; Fawcett, "Principles of Political Economy," Book II., Chap. II.

† George, "Progress and Poverty," Book VIII., Chap. II.

And to yield a profitable return to the individual or to the State, cultivation must be "intensive." The most must be made of the land by increasing the fertility of each plot. The public interest postulates a progressive improvement of the soil itself under the hand of the cultivator, which it is futile to expect the community as a whole to accomplish, and still more impossible to ask of the mere temporary possessor between one crop and another; and therefore Mill is within certain bounds right in saying it is necessary to "invent a proprietor," for the same reason applies to every patch of land in the world, except those actually occupied for State purposes of convenience or service, or which are too infertile or inconvenient for any sort of use, such as the desert of Gobi or the shores of the polar oceans.

In every case the question is, what period and what extent of alienation are necessary and convenient for the State to permit, and what conditions it is desirable to impose with regard to their temporary delegation by the State to individuals, and by one individual to another. Primitive Europe knew nothing of the permanent alienation of land.* Even temporary individual appropriation was not countenanced beyond the short periods needed for the cultivation of a crop or a limited succession of crops. Land was in the hands of the commune,† which allotted each strip to different cultivators in turn, equalizing between them the opportunities of profit as best it could, by arranging that the man who had a good strip in one year, should have his fortune balanced by having to take charge of an inferior piece in the next; while for pastoral purposes, the unenclosed common lands were administered by the community according to such conditions as they found best suited to the common welfare. Days were fixed upon which such cattle and sheep as were prescribed, could be turned by their owners on to such and such portions of the common ground, just as happens to this day in highly advanced communities such as those of Switzerland and Norway. The woods of the commune in like manner were, and are, jealously guarded for the benefit of the whole people, each man to this day in many Swiss cantons having his prescribed right of obtaining fuel and timber, which he may not exceed, and

* Pollock, "Land Laws," p. 12; Williams, "Real Property," p. 18.

† Maine, "Village Communities," Lecture III.; Vinogradoff, "Villainage in England," Introduction, pp. 26, 27. See also Canon Isaac Taylor, "Domesday Survivals" (p. 50 of "Domesday Studies").

which he exercises to a prescribed extent, in the woods of the commune to which he belongs. The complex apparatus of feudality gradually supplanted in Western Europe the communistic conception of collective ownership which still obtains in Russia. But the "lord" was no more, in the eyes of feudal law, the owner of the land than was his villein. Doomsday Book did not record of the Saxon lords of the eleventh century that they "owned" any land, but that they "held them of the king" as their feudal inferiors held of them. What the king had given, he was apt to take away, and the very right to inherit property in land and the liberty of testamentary disposition of it were comparatively late developments of individualism,* wrested from the State, (it may be far too completely for the general welfare,) by the force at the command of the "barons"; and then only subject to a whole series of limitations and "services." Even in the twentieth century in England, the grotesque and empty pageantry of the "court manor" and the "copyhold tenure" survive as an obsolete symbol deriving from the historical evolution of land ownership from the commune to the feudal superior and from him to the individual proprietor, and in some manors the lands held of the lord "by copy of court-roll" are not even yet entirely freed from the service which was the initial condition of all "tenure." But away at the back of the whole conception, a dormant irresistible power, lies the State, which has created the law in accordance with which every owner of everything exercises his right and transmits his privileges. The most legitimate of all manifestations of State action is that by virtue of which, in case of necessity, the people of a country must in the ultimate resort stand ready to prescribe the uses to which the land of the country is to be put. Thus in Australia, the most modern of all States, and by no means the least enlightened, the first necessity was felt to be a general secretion of Wealth and Means; and the readiest way of getting the human insect to secrete the honey, was to offer to it the flowers for free collection; so, wisely, magnificent pasturages were offered with both hands to enterprising graziers to utilize in pasturage, that occupation which above all facilitates the accumulation of Wealth with the least human effort and in the shortest time. The right of pasturage was given away by

* Austin, "Lectures on Jurisprudence," Part III., Lecture LII.; Nicholson, "Principles of Political Economy," Vol. I., Chap. VI., § 1.

the tens of thousands of acres, and the fortunate recipients of the bounty forthwith imagined themselves to be a feudal aristocracy with "inalienable" rights over land, and now, naturally, they and their children go about the world dethroned potentates denouncing as "confiscation" the speedily required re-arrangements of proprietorship which the further developments of the young community in a very few years made an absolutely inevitable necessity, as soon as their task of "making fortunes" for the State to draw upon had been accomplished. Or take a British instance. Some wealthy gentleman enters a Highland Scotch county; his ideal of existence is to be an amateur butcher and poulterer and fisherman. He expends his Means in acquiring what the land agent tells him are inexpugnable "sporting" rights over great stretches of hill and "forest" (so named from the absence of trees) from which he proceeds as completely as possible to exterminate all the two-legged inhabitants that have not wings wherewith to rise to be shot at in "sportsmanlike" fashion. It becomes necessary when population begins to press on means of subsistence, more or less to interfere with the pleasures of this blameless gentleman, and a very unwelcome necessity it is, because the process of expropriation of Means in any form gives an unpleasant shock to the general confidence in the sanctity of contract, in the fulfilment of obligation, and in the security of "property" of all other descriptions. It is difficult to convince such a so-called "owner" of land, that what he has acquired must have been always necessarily subject to the implied condition that it might have to be resumed by the State which sanctioned its alienation; and the word "confiscation" sends a thrill of alarm through every possessor of property of every description, and not unreasonably; for the "thin end of the wedge" is a delicate but formidable tool, and so perilous is every operation of State interference with proprietary right, that an absolutely inevitable measure for the re-population of a Ross-shire deer-forest, for example, seems to produce tremors of apprehension in the marts where confidence is brought to market, which are all so many sensitive seismographs indicating with exaggerated movement each impetus everywhere towards "Collectivity" or "Socialism" throughout the world.

But George was right when he pointed out that in this respect land is a thing by itself, inasmuch as it is that in which and by

which people have to live and move and have their being, and that therefore in the last resort, its occupation must necessarily be subject to the will of the community, which has never relinquished the right to control it. "Capital" in other forms (for the right to occupy land is an embodiment of Means as well as a commodity) is (except at the moment of transmission from the owner to his successors*) by its nature practically immune from "confiscation," at any rate unless and until its absorption is unanimously resolved upon by the entire population of the world at once. "Augel che credevi in tua mano, dischiusa l'ale, e s'envolo." As you stretch forth your hand to seize it, it takes unto itself wings and flies away. At the first serious muttering of a real storm in England, for example, all stocks and all shares and all the debentures and all the securities emitted from English sources will shrink in value to nothingness, because the absence of confidence destroys their value and they become "depreciated," while all removable sorts of means, all monetary and foreign securities will disappear by telegraph and by post. And all the gold will follow by express train, and the "capitalists" will not have waited to dispose of their more cumbrous effects by auction, but have followed their possessions to less enlightened shores. Trains will not be quick enough, nor steamers sufficient, to expedite the exodus of "movable" Capital and its possessors. But land has no such immunity from capture, and that fact has its own effect on value in the countries of less settled security. Here we have another pretty paradox; that which is apparently the most permanent, the most immovable, the least imaginary, the most tangible of all conceivable possessions, is in truth the most fugitive and perilous, because the most at the mercy of interference and spoliation. The land of a country is the one thing in it that is absolutely and always under the feet of power.

For subsequent chapters is reserved a general consideration of the taxation of land. It is an intricate subject, made doubly difficult by having become saturated with prejudice and envy, and the counter-excitements of resentment and disdain. But as to the general exercise of the power of the State, which is its "right," it has to be admitted that the State is compelled in case of need to resume land and expropriate owners. Also it has, if need arises, to increase taxation on all things and its demands upon profit and upon Means. But in the exercise of

* See *post*, p. 380.

these powers any discrimination between owners of property of different sorts on the ground either of the particular form which their embodiment assumes, or on that of personal merit, or of your likes and dislikes as between classes of owners, is not economics but iniquity. The ethical element does enter for something into the conception of taxation, which is partial, and still more into that of expropriation which is total, "confiscation," as the indignant Means-owner calls it, when not accompanied with generous compensation. When, and on what conditions, and under the stress of what necessity "ought" the State to exercise its power of resumption? If such an adjective could be predicated of such a noun, one would say the problem is one of political morality; but to express the idea of morality in the language either of economics or of politics, is a difficult and delicate task. Prudence dictates the most sparing possible resort to the disturbance of "property," every step in which is perilous to confidence; for the loss of confidence spells universal impoverishment involving the annihilation of Means. But is there not, beyond and above mere expediency, some supreme principle of justice under the guidance of which the State can proceed in its dealings with the individual? The reluctant answer must be, that human justice is the creation of the State, and that Astræa has not yet come back from heaven, while Themis, her poor finite human *locum-tenens*, is blinded, and gropes helplessly along.

"Law," "right," "equity," are conceptions of the infinite and the absolute; they are essentially metaphysical ideas—none the less real for that, one hopes; but the halting and relative approximations to them on earth are but expressions of the will of the State, guided by fleeting and temporary conceptions of utility, with perhaps some bewildered imperfect aiming at "justice" thrown in. The famous definition of justice by Ulpian fails as a practical guide. "Perpetua voluntas suum cuique tribuendi'; be it so; but what on earth can any human being cherish as "suum," beyond so much mastery and control over things, as human customs, State-made law, and a general notion of the public convenience and utility have concurred to induce power to acquiesce in and protect? Grotius strove to evolve a conception of that which is right in itself, by diligent collection of the principles of jurisprudence common to the notions and customs embodied in the laws of all countries.

These, he imagined, must in some mysterious way express a general criterion of essential right and wrong—the "natural law," the "law of nature," the "law of nations." Then came Austin, who demonstrated how baseless this conception, how entirely human justice in each State derives from local and temporary notions and a sense of that which is expedient. In the last resort it comes to this, therefore: that as regards property in land, which of all the varieties of property is the most entirely the creation of the State, and which at the same time is the only sort of property which is always completely at its mercy, no general rule of "justice" can be invoked by which power can guide its own exercise. It is all very well to say that State action must not be "capricious" or "vindictive," must not "defeat reasonable individual hopes and expectations of permanence," must "have regard for vested interests" (whatever that may mean), must prudently abstain from causing "alarm to the sensitive confidence of owners of property in general," "must refrain from violent confiscation," must "have regard to the interests of the individual." All these are general expressions of benevolence, fallacious criteria of expediency, vague considerations of collective "enlightened self-interest." When all is said, we are as far as ever from having obtained a definite and practical rule of action. It is disappointing, but inevitable, that there one has to leave the problem, to be worked out by each State and generation for itself, on the responsibility that is involved in the observed sequence of things, that when a State makes a blunder in the use of its prerogative, that State and its successors and those in its power have to pay the penalty. "Quicquid delirant reges, plectuntur Achivi."

At present it is necessary to turn from this to another main aspect of property in land, that which concerns itself with the relations between the temporary proprietor or "landlord," and the still more temporary person to whom he finds it convenient to delegate his right to exclusive possession—the "tenant," and this leads to that favourite subject of contemplation which is rent. So far as an interest in land has to be recognized as a commodity, it must be capable of being sold or hired, or its value will disappear.

If the temporary right to occupy space is to take its proper place as "property," be it in never so qualified a degree, the conditions attaching by contract to the delegation of that right

must also inevitably be deemed entitled to State sanction and enforcement, just in the same way as the law enforces respect for contractual obligation in the case of other kinds of property. And so it comes about that (except in the case of one particular island) the governments of civilized States throughout the world recognize a duty of enforcing in favour of the proprietors of "land" and "rent" the same degree of protection which it is found desirable to extend to those possessed of money or pig-iron or watches or any other description of "property."

Now much solemn disquisition has been expended by philosophers in defining very mathematically and precisely the laws supposed to regulate rent, which is in effect the money-price of the hire of the right to occupy space. If one may say so, this theorem has been allowed to subtend an arc of the economic horizon wide out of all proportion to its real importance. The thing is simple enough, and the truth about it may as well be stated once for all without any reference to the more ponderous classical authorities whose lucubrations he has epitomized, in the words of Henry George. A certain confusion is implied in looking upon rent as something specially to be considered in respect of land devoted to agricultural purposes and ignoring hirings of space for other purposes. But in other respects, though George took care to define "rent" so as to lead up to his own pet ultimate conclusion of the necessity for the confiscation of all property in land whatever; his definition is reasonably accurate:—"The ownership of a natural agent of production will give the power of appropriating so much of the wealth produced by the exertion of labour and capital upon it as exceeds the return which the same application of labour and capital could secure in the least productive occupation in which they freely engage."* And the present writer would paraphrase this as follows:—"By virtue of his ownership of land the owner "necessarily acquires so much of the profit arising from the "use of that land, as exceeds what could be produced (after "providing for the satisfaction of the claims of the exertion and "expense of production) by using the least useful land, whether "in the same or any other way." But get rid of the subtle confusion between Wealth and Means, and it will be seen that such enunciation of sententious truisms is of no particular value in acquiring knowledge. Ricardo put his definition more shortly

* "Progress and Poverty," Book III., Chap. II.

but far less correctly. "The rent of land is *determined by* [a fine fountain of fallacy these two innocent words!] the excess of its produce over that which the *same application* can secure from the least productive land in use." This was both inaccurate and clumsily worded. The words "the same application" if they mean "for the same purpose" involve fallacy; while if they are intended to mean "with the same expenditure of energy" they introduce a foreign and irrelevant consideration. The same piece of land may produce a profit of fifty pounds a year in the ordinary cultivation of wheat, and so forth, a hundred a year if planted with strawberries and cabbages and asparagus, a hundred and fifty if used to house and fatten stock for slaughtering, two hundred if let for a golf link or a racecourse, and possibly five hundred if taken up on lease, to be covered with houses. What will be the "normal rent" of that land? Does it not after all come back to the old truth: that rent is an expression of value, and like all values is not inherent in the thing itself, but depends on the wills and purposes and beliefs of the men who bargain about it?

The landlord is bargaining about his bit of land and what his tenant is to pay; he is not going to trouble himself to consider what may be the "excess of produce over what the same application" (in the sense of the application of the particular use to which the particular tenant purposes to put the land) which a tenant is likely to obtain over and above what the same man or any other would be able to get by using for the same purpose "the least productive land in use" (however that abstract notion may be capable of ascertainment in fact). "The same application" has nothing to do with the result.

It is simpler and quite as instructive therefore to omit the consideration of the hypothetical "least productive land" altogether, and simply to say, "the rent of a piece of land is the "measure of its desirability, as expressed in the periodical price "to be paid to the owner by the occupier for the continuance of "his occupation," and there to leave all the sterile logomachy; in this simple form the proposition will be seen at once to be a mere identical one, and its enunciation, though perfectly true, to be no achievement of discovery, and to add nothing to knowledge, any more than any other pompous truism.

Rent is the measure in money of what the tenant is willing to pay and the landlord is content to receive; the tenant

will offer to pay what profit he expects to make, less so much of it as he believes he will be able to retain for himself after his actual labour is remunerated and his outlay is returned; the landlord is content to receive what he believes any other person would be prepared to pay him for the land, irrespective of what sort of use that person may propose to put it to. And rent, like any other price, is fixed by the haggling of the market. It is just the same with the rent of land as with the price of the pudding in the cookshop, the real value of which will only be proved in the eating thereof; and there is an end of the matter.

But a fertile source of error has to be guarded against. Putting on one side instances such as are afforded by Italy and Southern France where the landlord and the tenant are partners and specifically share the material produce of the land—a state of things which issues in an entirely different set of economic results and has no applicability whatever to this country; it will be seen that rent is always paid in money; which is, out of Means. Whether the Means are what the tenant has got in exchange for the produce of the land or elsewhere is immaterial. The amount of cash due is the same, whatever relative proportion of the crop or specific amount of money's worth of it has been sold to produce it, and whatever the cost at which the crop has been raised, or the price at which it may have been sold. The sum being fixed, and these other things varying from day to day and place to place, it follows that rent is not by any means a constant function of productivity, or even a fixed burthen on the producer. Its pressure varies with every movement of values, prices and productiveness, *because* always nominally the same. Also the notion of productivity, though a potent determinant of value, and therefore indirectly necessary to take into consideration in adjusting the price of the hire of space, does not directly enter into the computation. In an old-settled country at any rate, rent arises only in part from the values attributable to the land itself; that is from surface area, locality, fertility, and the mineral ingredients of the soil. It is affected greatly by that favourite subject of interest to the land nationalizers and the unearned-increment-mongers, the value imparted by density of population. And still more vitally by the incorporation into land of labour and Means to an extent indefinitely varying in proportion to the total "value" according to the history of what the labour of the past has added to contribute to the desirability

of the present, in respect of each individual morsel. The very contour and nature of land will in some cases have been "created" (if such a word may ever be used), by bygone labour; as in the case of the polders of the Zuyder Zee and the similar reclamation in the bit of English country which is known as the "Level of Hatfield Chase" or the coast lands of Surinam and British Guiana. Sterile mountain crags have been through ages transformed into fertile valleys by the scientific application of irrigation in India, Ceylon and Java, and every field and enclosure in Britain has attained its existing desirability as the result of the continuous application through the ages of the skill and labour of drainage, enclosure, and the transportation of soil, and of the very working and cultivation of land itself. And when one turns from agricultural land to the contemplation of that part of the surface which is either utilized in manufacturing industry or commerce, or forms a prime necessity of life in its use as shelter and home for men, the incorporation of labour and material assumes a preponderance of proportion so great that the value of the space and surface in its natural state becomes a mere negligible element of the value of the "land" in comparison with what has been implanted in it by the addition of the energy and means of successive generations of possessors. It is in respect of the entirety thus brought into existence that rent is claimed or paid: it arises, that is to say, on the whole as much from "Capital," in which expression is included all the result of the past labour which Means has hired, as from the primary attributes of the land itself. And in what proportion these ingredients have concurred, though it is conceivably possible to analyze it in each particular instance, no generalized conception is so much as thinkable.

In the actual world land is beyond and above all thus so inextricably involved with Means, that in the concrete the accurate way of regarding rent must ultimately be seen to be simply that of the return from or inducement for the application of Means. Henry George to the contrary notwithstanding, the landlord is a capitalist like another, and his rent in the last resort is just interest. By virtue of the interchangeability of all wealth and all Means whatever, land in settled countries has in fact become an embodiment of Means ever exchangeable in the hands of each possessor for o her Means in any other form; the less a country is subject to civilized law and dominion, the less this is

true. So that where, as for example in Ireland, the State is unable or unwilling to support "property" by the application of its ultimate sanction, which is force, the "value" of "property" tends to depreciate together with the possibility of its effective appropriation.

Therefore, logically, the ultra-collectivist reasons accurately when he rejects Henry George's discrimination between rent and what he calls "profits," by the use of which word he tries to confuse two distinct things: the one being the interest payable for the use of means; the other, the special wage or remuneration of the over-workman in employing and directing the under-workmen. This point is dealt with in its proper place. For the present purpose it is sufficient to say that rent, though arising in part from the appropriation of space, works itself out in reality as the return due to that embodiment of means which has busied itself with the acquisition and hiring out of the complex necessity which we call "land," and which is in truth built up in varying degrees of space, natural force, and labour, distributed in locality.

Essentially diverse in their origin and intrinsic nature, in the result "land" and its "rent" stand on precisely the same footing as capital and its interest, and what is true of the one becomes economically true of the other.

That rent is the price indicating the annual commercial value of the right to occupy a given space is clear enough. That the amount tends in every case to approximate towards the profit derivable from the occupation is, as a general principle, also more or less clear, though in each individual instance many other considerations intervene to determine it—in other words, there is an undoubted theoretical foundation for Mill's law of diminishing returns.

But as is above pointed out,* this so-called "law" is, as a matter of fact, but the statement of an ultimate tendency, never more than approximately true, and constantly counteracted by many other tendencies; one which except for limited times and in limited spaces in one or two countries only in the whole world, has never been observed in accurate actual operation. Since Mill wrote, for instance, agricultural rents in England rose to a figure far beyond anything that could be described as the increase in the relative productiveness of land "over and beyond

* *Ante*, p. 8.

that of the least productive land in cultivation." This sudden rise, apparently exemplifying the action of his "law," was due in the main to two entirely independent temporary concurrent causes—the more obvious being the unprecedented temporary depreciation of gold between the years 1850 and 1870, consequent on discoveries in California and Australia, and the other the defective nature of the arrangements for the transport throughout the world of competing cereal products—the monopolistic influence of inadequate transportation; while on the contrary, in the last three decades of the nineteenth century, rents fell again with still greater rapidity, contemptuously disregarding the doctrine of "diminishing returns," as gold began to appreciate again, under the pressure of a constantly increasing demand, and the railways of North and South America, India and the Argentine country began pouring wheat into Mark Lane with the regularity of clockwork. Many acute judges predict for agricultural rents in Britain a fresh rise in the second decade of the twentieth century, to follow fresh factors of demand and supply; all which tends to show that the philosopher in his armchair knows very little of things as they are; in this instance of the real processes and conditions of world production.

The question often arises in the United Kingdom, to what extent our municipal law is justified in according to the landlord the exceptional privilege of "distress for rent," the right to be plaintiff, judge, sheriff, and policeman in the same cause as against his tenant, by satisfying his claim for himself (at his own peril of wrong) out of what he may find on the land when the rent is overdue. However this may work out with respect to agricultural land, however, it, or something like it, must necessarily be tolerated with regard to land used for housing accommodation, especially that of the poorer classes; for in its absence, dwellings would not be provided, and the worker could not find shelter for his head without buying a place in which to lay it. And in this conjunction, it must be borne in mind that what is recoverable nominally as rent for space comprises in reality a most complex and costly apparatus of provision: building, repairs, the supply of water and the appliances of sanitation, and above all the satisfaction of the claims of a very heavy taxation. The State, which compels the landlord to collect and pay over the taxes of his tenant, cannot escape from investing him with a summary method of recouping himself. Nothing strikes those who busy

themselves with the details of philanthropic endeavour, more forcibly or sadly than the disproportionate excess of the cost of housing over that of the other indispensable needs of life of the poorer classes. A row of tenements in a poor neighbourhood shall be run up for, say, £1,000, including the cost of buying the land. It shall be occupied by forty families whose earnings average 25*s*. per week,—the gross rental of the whole shall be £11 a week, or roughly £575 in the year, close to 60 per cent.; and this is not all; with reasonably enlightened methods of building, and something like conscientious industry on the part of the operatives engaged in it* the £1,000 could have been brought down to, say, £750, and the 60 per cent. would rise to 85; and yet the builder and the owner themselves will be but just struggling poor men barely able to keep their mouths above water. This is no fancy portrait, it is a reproduction of the experiences of a society that concerns itself with the housing of the poor, gathered from the wide field of the county of London. And one of the concrete urgent problems of the twentieth century is how to rearrange and lighten this apparently inevitable and almost intolerable burden of humanity in great cities.

One thing is certain, and that is, that if it were not for the "power of distress" rents would be doubled, and yet the scanty profits of the owner still further decreased. In like manner sentimentalists deplore the cruelty and "injustice" of that custom of "imprisonment for debt" which in England is exercised by those courts, the most important of all in reality, which have to compel the payments of the debts of the poorer classes. This humanitarian sentimentality is indulged in, in complete ignorance of the truth, quite familiar to those who know the facts, that it is precisely this power of "commitment" which, exactly like the right to distrain, stands between the more destitute classes and actual physical starvation; so far apart are the humane conceptions of the sentimental philosopher from the concrete sordid realities of existence!

Of rent values there is nothing further to be said. Like all other values, they express ultimately the desirability of the commodity. In some respects and under some circumstances the occupation of space turns out to be the dearest commodity in existence, as being that which is absolutely indispensable to all mankind, and of which it is inconceivable that there should be an indefinite increase of the possibilities of supply. And this

* See p. 16.

is one of the aspects of the many-sided enigma which the Sphinx of modern civilization keeps propounding to its victims. More than mere economic thought is needed for its solution; constructive effort. And hitherto the tentative strivings of the philanthropist have attained but a sorry measure of success. The clearing away of rookeries and insanitary areas in the large cities of Europe has rather tended to intensify than alleviate the hardships of the humble; municipalities have had, perforce, to erect in their place expensive buildings designed for commercial occupation by quite other classes, driving the expropriated inhabitants to congest themselves in other and less convenient districts of the same cities, lessening instead of increasing the space available for their habitation, and compelling the creation of fresh "insanitary areas" in outer rings less susceptible of efficient inspection, and less accessible from the regions where employment is to be found. Philanthropic trusts abound, which direct their energies to the provision of housing space, to some extent available to accommodate some parts of the annual reinforcement of the army of workers recruited from the rural districts, who keep on adding to the competitive congestion of the town. But their efforts do not as yet seem to have attained force sufficient to cope with the necessity. Sooner or later the active interference of the State will assume the cogency of a measure of self-preservation. Great constructive efforts of statesmanship will then for a moment, perforce supplant as subjects of importance the claims of rival sets of politicians for public favour and employment; and eventually something will be attempted in the imperative interest of society, beyond the immediate purview of personal ambition. Here "State socialism" has in very truth a legitimate field of effort. Those things which concern profit are the domain of individualism: every attempt made by the State to meddle with these always has, and always will, spell incompetency and disaster. But higher far and deeper and infinitely more vital than any form of acquisitiveness or commercialism lie the real foundations of civilization, outside and beyond the sordid realm of the "cheapest market." The raising of humanity will never be accomplished on the plane of profit and loss. A concerted intelligence of mankind, directed by true constructive statesmanship, must apply itself to that task, aided and informed by the experience and wisdom of an unsentimental and practical philanthropy.

CHAPTER X

WORK AND WAGES

The entirety of material things is created by Nature, and the energy of Man is concerned only in their production, in the literal sense of that word; the bringing forward of material and preparing it for use. The energy of man severs and moves materials in the mass, rearranges their molecules and fibres, which is manufacture, and re-combines their atoms by chemical and metallurgical process; and this is the limit of his possible effect on the material of the world he lives in. That part of his energy which is concerned with these processes is spoken of in economics as "labour," which prepares all things and creates none. But human energy is by no means exclusively concerned with the processes of wealth production. This is but one of its many functions, and in no community affords employment to more than a certain proportion of the citizens. Others set themselves to work to acquire their means by other application of their energies.

It has occurred to an Austrian professor* to devote himself to an elaborate calculation of the proportion of humanity engaged in the work of producing commodities. He presents his results in a statement of the "average" number of hours and minutes per day (allowing three hundred working days in the year) which each male person in his own country, between the ages of sixteen and fifty would have to work, on the supposition that such adult male labour had to produce all the commodities which that country actually does produce, and that none of this part of the population of Austria-Hungary were excused from bearing their share in the duty of "making things." He brings out the result as follows: If you include "luxuries" among the things to be produced, each male over sixteen and under fifty would have to work two hours and twelve minutes for 300 days a year in producing them. But if you exclude all things not

* Herr Theodor Hertzka.

immediately needed to keep going the productive process, the labour involved would be reduced to something under one hour.

This of course proceeds on the rather generous assumption that the specialization of industry counts for nothing in the productivity of labour, and that the priest, the jockey and the street loafer will be able to manufacture commodities as effectually and economically as the trained artizan. From the point of view of the present writer there is no particular fault to be found with that assumption. He is prepared to accept the worthy professor's calculations as founded on genuine statistical data, and possibly as accurate to boot, the weak point of the pedantic statist being seldom inaccuracy of calculation, but invariably lack of common sense. It does not appear necessary to attempt to investigate the validity of these conclusions, because, except in one respect it is quite plain that the result must be irrelevant to any conclusion of sane economics. It is hardly even worth while to note that the industrious Herr leaves out of his reckoning all computation of the extent to which the energy of the past (not of Austria-Hungary alone, but of the whole world) is built into the results of the present industry of the Dual Empire; and that in that country, as elsewhere, economic wealth production would be impossible without it. As to this point the reader is referred to the analysis of wheat growing in Canada.*

The complete futility of the entire thesis stares one in the face for quite another and still more obvious reason, which is simply that the ascertainment of the average daily duration of the day's work per adult working male of the entire population varies indefinitely with the circumstances of each country and the nature of its industry; so much so that the problem is quite incapable of being worked out on British "national" lines.† For what is true of one country has no necessary application to the circumstances of another, and the "average" energy needed for one organization of labour cannot be judged of by collecting data from the statistics of another.

This is so plain a statement of truth that one almost apologises for wasting space in exemplifying it. Conceive, for example, of a community whose wealth and means are derived from

* *Ante*, pp. 72, 73.
† *Ante*, p. 16. See also *post* 180.

petroleum; say the oil wells of Baku bring forth the main wealth of a possible republic of Transcaucasia. Now, so long as oil flows at Baku the wealth derived from the labour of making it available will continue exchangeable into means by commerce and thus bring to the happy Transcaucasians all the other things in the world which they may desire. And it is quite clear that in Transcaucasia the normal average duration of the daily exertion of the male adult will be excessively minute. In fact, if you carefully omit to count in as "labour of production" what has gone to the past, sinking of existing wells, the building of existing tanks, and the manufacture and provision of the iron pipes and steel machines that some infamous "capitalist" has already brought to Baku to subserve his own nefarious ends, you will be able to reckon somewhere about an average day's work of three or four seconds per adult male Transcaucasian. And the main exertion of the population (rather a heavy one if the borders of the republic go back far into the mountains) will consist in their expenditure of time and energy in travelling to and from Baku to "put in" their four seconds apiece per diem. Or take an existing concrete instance, the "work" of the vaqueros of the Argentine. In certain States of this prosperous federation, the main wealth-producing industry is that of a handful of "gauchos" who, under the superintendence of some haciendero, ride about on horses and look at the cattle browsing on the plains. Here the cattle themselves do the real "work," that of turning grass into beef and hides and tallow, the horse does the rest, and the occasional man sits by on his back and watches. Possibly the average daily labour-time might run into anything up to five minutes per diem per adult male under fifty years of age. The exact duration of each man's task would come to depend on the number of beggars and speculators and local politicians who could be caught and drafted into the "industrial" army before they escaped over the Andes from even this much honest toil into Chile or Peru.

Now, to complete the picture, take, on the other hand, a rice-growing country, Aracan or Java. Here the whole working time of the adult male population will be insufficient to make and tend the canals, to build up the fields and tend the water-buffaloes by whose work they are prepared for the crop, to manage the intricate irrigation, to sow the seed patches and dibble the blades of grass from them into the tiny enclosures, to

reap and market the crop. There needs, in addition, the constant concurrence in their toil of the women-folk and the children. The "daily adult male average" time might run to twenty-five hours.

Every man knows, though some choose to pretend not to, that the conditions of every sort of employment of energy in the world vary thus from those of every other; that the industrial life of each country is made up in varying proportions of a whole series of industries thus varying, some of greater and some of less required intensity of present application, which in some co-operates with more and in some with less past labour, with more and with less of the direct spontaneous creativeness of natural causes. And it is plain therefore that no general or permanent conclusion whatever can be drawn, even as to any one country, and far less as to the world in general, as to the average amount of labour needed to produce a given amount of wealth. What the "average adult male time" may be in Scotland will give you no knowledge of the conditions applicable in Sicily, or either an experience of any value in determining the figures for Japan or New Zealand. And every thinking man knows also that it is not by a calculation for each country that the result can be worked out, for the production of wealth is a world-wide process, apportioned among the nations by many causes, chief among which is the world value from moment to moment of the commodities producible in each; and that it is this value which keeps on ever afresh determining whether or not any of these commodities shall be produced in each, and to what extent, and how great a proportion of the energy of the population of each shall be directed to the production.

So it turns out that all this laborious and pretentious calculation of hours and minutes is a sheer waste of ingenuity, the result of it having no appreciable value for scientific purpose, though capable of being paraded to produce a certain amount of ignorant prejudice in favour of the set of "socialistic" theories to aid in the propagation of which it was entered upon. For the purpose of arriving at any true knowledge of things as they are it has as much relevancy as a volume of chess problems, and as a contribution to human well-being it is far less valuable and amusing.

Yet one truth emerges from this otherwise futile thesis, which is that "productive" labour can not in the progressive and more

intricately diversified countries, be availed of for the employment of more than a certain comparatively small proportion of the population, profitable production being limited by commercial demand, without which it is a waste of energy.

But in fact no distinction can, from an economic point of view, be drawn between "productive" and "unproductive" industry. Those, for instance, of the manufacturing operative or agriculturist on the one hand, and those, on the other, of the statesman, the soldier, the author, the lawyer, the surgeon, the comedian, the mother and housewife, or, for the matter of that, the harlot. All are labourers alike, ministering to the thousand needs of humanity, some more some less urgent, some prompted by the higher and some by the lower appetite, some more some less meritorious, but all, together with thousands of other varieties of "unproductive" folk, aiding to make up in its entirety the existence, such as it is, of the complex organism called society.

The wages of all alike are drawn from the same reservoir of Means; the excess, if any, of the remuneration of each over the cost of his sustenance is "profit" in his hands, and, as such, percolates imperceptibly back into the reservoir from which it was first drawn, and may in turn become "capital" again, or may not. Nothing is wasted, except always that which goes to produce commodities or furnish services for which there is no commercial demand. Over-production is sheer loss, and infinitely mischievous to boot; and the world's effectual demand for commodities being not a constant but a definite total, nothing is more obviously true than that the world's effectual productivity as also that of each country within it is inexorably limited thereby. In the world there is only room for a certain and definite sum of production at any moment. And any attempt to exceed this in any one country can only succeed by depriving the people of some other country of their market. This is the A B C of commercialism, the aspect in which it is least favourably viewed by the so-called "unprogressive" nations.

"Work" is a term really co-extensive with human energy, and "wages" with its reward. It is as ridiculous for any one class of workmen to arrogate to itself the monopoly of the term "work," which includes the expenditure of energy by all classes, as for the word "wages" to be perverted into a description of the reward of one class rather than the others of the workers.

Henry George, among the great services which he has rendered to economics in that splendidly conceived but sadly disappointing work, "Progress and Poverty," can claim the merit of being the first fully to appreciate and explain the reality of things in respect of wages. He demonstrates that all "Wealth," by which he expresses that which the writer prefers to call all "Means," necessarily divides itself between what goes to wages, interest and rent respectively. No other logical division is so much as thinkable.* George it was who first showed the essential identity of the profit of the employer and the wage of the workman. His purpose was to deprecate the insatiable absorptiveness of the "landlord" and demonstrate that by way of abolishing "rent," and freeing the worker from its pressure, it would be

* "Land, Labour and Capital are the factors of production. The term Land includes all natural opportunities or forces; the term Labour, all human exertion, and the term Capital all Wealth used to produce more wealth. In returns to these three factors is the whole produce distributed. That part which goes to landowners as payment for the use of natural opportunities is called rent; that part which constitutes the reward of human exertions is called wages; and that part which constitutes the return for the use of capital is called interest. These terms mutually exclude each other. The income of any individual may be made up from any one, two, or all three of these sources, but in the effort to discover the laws of distribution we must keep these separate" (Henry George, "Progress and Poverty," Book III., Chap. I.) For examples of inaccurate thinking on this point the reader is referred to Ricardo, Mill, Marshall, etc. Mill, for instance, nowhere lays down a clear and complete theory of distribution. Pieced together from different parts of his "Principles," it amounts to the following: "The industrial community may be considered as divided into landowners, capitalists and productive labourers. Each of these classes as such obtains a share of the produce" (Book II., Chap. III., § 1). "The land is the principal of the natural agents which are capable of being appropriated, and the consideration paid for its use is called rent" (Book II., Chap. XVI., § 1). "The wages of the labourer are the remuneration of labour" (Book II., Chap. XV., § 1). "The share of the capitalist [is] the profits of capital. . . . The gross profits from capital . . . must afford a sufficient reward for abstinence, indemnity for risk, and remuneration for the labour and skill required for superintendence, and the three parts into which profit may be considered as resolving itself may be described respectively as interest, insurance and wages of superintendence" (Book II., Chap. XV., § 1). Ricardo is much less explicit, but the same confusion of thought underlies his use of the ambiguous term profit, in which he apparently includes wages of superintendence, concentrating his attention on the field rather than the factory. He put it thus: "The produce of the earth . . . is divided amongst three classes of the community, namely the proprietor of the land, the owner of the stock or capital necessary for its cultivation, and the labourers by whose industry it is cultivated . . . under the names rent, profit and wages" ("Principles of Political Economy and Taxation," Preface). Marshall definitely follows Mill in including wages of superintendence in the return to capital. "What remains of profits after deducting interest or capital at the current rate (allowing where necessary for insurance) may be called earnings of undertaking or management" ("Principles of Political Economy," Book II., Chap. IV., s. 7). See also Cairnes, who, however, had a somewhat clearer perception of the truth. "Our analysis then of cost of production resolves it into three principal elements . . . labour, abstinence and risk, the first borne by the labourer in that enlarged sense of the term in which labour includes all who take a personal part in the business of production; the second by the capitalist; the third falling upon labour and capitalist alike" ("Political Economy," Chap. III.).

quite the best thing to keep it going under another name as "taxation;" and in proving this odd conclusion Mr. George, as will hereafter be pointed out (Chap. XIX.), was signally unsuccessful. But the reasoning leading up to the enunciation of his theorem is a masterpiece of insight and accuracy. It was Bagehot who most incisively and convincingly analyzed the actual energy of the individual employer as an agent of production, a demonstration which has been pointed out by others,* but by none so clearly and forcibly. The immediate result of human energy so divided and so applied is Wealth, which by virtue of its exchangeability gives rise to Means; but it is fallacious to estimate the economic results of the application of energy by its efficiency in the production of material things, without giving equal weight to the Means-production of those services which are not directly and materially "productive" of wealth.

The pedant conceives for himself out of his inner consciousness an imaginary world, busied exclusively with producing commodities "quand même," and even if to excess, still "productively and beneficially"; for to his short-sighted mind whatever is produced is "Wealth," and whatever is "Wealth," he imagines must make for weal. But in truth Life and not accumulation is the real aim and object of humanity. Production is but one of many ways to that end, effective only in so far as it avails to satisfy the craving of Means, which is money, to transmute itself into Wealth, which is commodities. Commercial demand, that is to say, is the determining influence on productive supply. Commerce controls industry.

Apart from those exceptional commodities which are essentially

* *E.g.* Nicholson, "Most of the crude fallacies of socialism arise from neglecting the higher forms of labour, including that of the management of capital" (Book II., Chap. XIII., § 9). But see Bagehot's "Postulates of Political Economy in Economic Studies," 2nd ed., pp. 68—71. "Employment" in any large trade implies an "employer." The capitalist is the motive power in modern production, in the "great commerce." He settles what goods shall be made, and what not; what brought to market, and what not. He is the general of the army; he fixes on the plan of operations, organizes its means, and superintends its execution. If he does this well, the business succeeds and continues; if he does it ill, the business fails and ceases. . . . And I am careful to dwell on this, though it is so obvious, and though no man of business would think it worth mentioning, because books forget it—because the writers of books are not familiar with it. They are taken with the conspicuousness of the working classes; they hear them say: "It is we who made Birmingham, we who made Manchester," but you might as well say "it was the 'compositors' who made the *Times* newspaper," etc. The whole passage is worthy of being learnt by heart as a model of accurate thinking and picturesque expression combined, but note the strange confusion between "interest on capital" and "wages of superintendence."

dear, of which the available supply is, or rather is believed to be permanently inadequate; the power of supply only waits on the opportunity of the "effectual demand."* Almost before the latter begins to manifest itself in operation, the former has already expanded to the full extent of the probable opportunity; and so ready is Means to employ itself for profit in production, so amply are the appliances of production at hand and available throughout the world, that in respect of the majority of articles a mononesis begins to set in almost as soon as the increased need of consumption has fully manifested itself. The eloquent and charming literary exercise by Mr. Wells† presents a very picturesque instance of the hopeless confusion between Wealth and Means which enables a perfectly honest writer in perfect good faith, to misunderstand in this respect what really takes place in the regulation of values in obedience to this inexorable law. The truth was told in his pithy way by Adam Smith, long long ago, and put in the fewest possible words; he pointed out, once for all, that "you can only increase the opportunity of work, by increasing the commercial demand for that which work produces."

It is convenient, however, while keeping this fundamental truth steadily in view, to concentrate our attention on the consideration of the "work" of those engaged in the production of commodities from materials, because it is among these that are most clearly manifested the essential phenomena of all forms of human energy. It is in this way permissible to the economist provisionally to envisage all labour as "productive," and in dealing with wages, to draw his main conclusions from the

* The guiding fallacy of the collectivist rests itself on a resolute ignoring of this essential sequence of things. "We manufacture more than we can use, you say. Unless we can sell the balance to the Chinamen some of our factories must close down, and then some of our people would starve. But why, I ask, cannot our own starving people have the things that go abroad—some of all the food that goes abroad, for instance" (Upton Sinclair, "Industrial Republic," p. 86). "In every direction the direct tendency of advancing civilization is to increase the power of human labour to satisfy human desires—to extirpate poverty and to banish want and the fear of want. All the things in which progress consists . . . have for their direct and natural result the improvement of the material . . . condition of all within their influence. . . . But labour cannot reap the benefits which advancing civilization thus brings" (Henry George, "Progress and Poverty," Book V., Chap. II.).

† "Here on the one hand . . . are people badly, uncomfortably, painfully shod in old boots, rotten boots, sham boots; and on the other great stretches of land in the world, with unlimited possibilities of cattle and leather, and great numbers of people who, either through wealth or trade disorder, are doing no work. And our question is: "Why cannot the latter set to work, and make and distribute boots?" ("This Misery of Boots," by H. G. Wells: Fabian Society Tract).

phenomena of industrial production, never forgetting that this is but one of many functions of human energy and source of Means.

The Capital and Means of the majority of individual workers mainly consist of their own energy and power.* Their wealth, the things themselves which they consume and use, come to them day by day as the produce of their wages, which they hire out their energy for, and on the adequacy and constancy of their wages depends their material welfare. In patriarchal and feudal times, when the intermediate organization of the family, or the clan, merged the individual and obscured the faint and rudimentary conception of the nation, adequacy of wage was replaced by the obligation of the head of the family or the chief of the clan to provide from the collective resources of which they were the trustees, the necessary means for the sustenance of the individual and the perpetuation of the race. To effect a resuscitation of this rudimentary organization of industry many popular obscurantists keep urging society to return to a "State-socialism," as they call it; the notion being to substitute the State and the muncipality as the source of all wages, for the individual employer, thus affording a sufficiency of employment and at an adequate remuneration for all men : an aspiration which is as likely to be realized as the the reviving of the vegetation of the carboniferous epoch.

In those patriarchal times the workman worked "for the love of his craft," and the artist created by virtue of his "devotion to art." And of a truth, under such conditions the actual work turned out, though scanty in volume, attained a perfection of craftsmanship and an artistic merit unapproachable under the modern conditions of "industrialism." The sentimentalist from one point of view, and the art connoisseur from another, unite in deploring, no doubt with reason but assuredly without avail, the results of the disappearance of those pristine conceptions of obligation, and their replacement by the sordid modern "nexus of cash payment" on the basis of value and price. And when a writer who chances to be both sentimentalist and art critic at once wanders innocently into the maze of economics, his jeremiads are apt to be comically poignant. But the lamentations of a regiment of Ruskins will be powerless to arrest the inevitable industrialization of civilization, unless, indeed, they could induce mankind to retrace their steps and re-embrace Feudalism, or, as the pseudo Chinese writer mentioned in the Introduction

* *Ante*, p. 34.

would prefer, revert to the family as the unit of humanity, and eliminate the individual. Therefore, the urgent questions which economics must handle in respect of "labour" are always the "means of employment" and the "rate of wages"; things being what they are, in these lies the main factor of human well-being—the concrete expression of what concerns the "greatest happiness of the greatest number."

Now, all labour must be regarded in its double aspect—the labour of the people in the nation, and that of the world. All forms of "Wealth," it has been shown, and all forms of "Means" or "Capital," except that which is embodied in land, are absolutely international, their average and ultimate values determined by world causes independent of nationality. And though their actual and concrete prices vary with circumstances and places and times, these too approximate more or less to an expression of average world value. So it is also with the value of labour; but what the labourer is immediately concerned with is not its value, but its price; for that is the expression of what it shall avail him at the time of his work. Varying, as all prices do, with local supply and demand, and local appreciation and depreciation of gold, the price of labour tends, though very slowly (and so the more advanced thinkers among the workers themselves begin to perceive), in the long run in the direction of a world-wide equalization. It is to no purpose that the cotton operatives of Manchester would associate themselves in absolutely proper and sound endeavours to obtain for themselves and their class a greater proportion of the profits of spinning, weaving, and printing in that centre, if their comrades in France, or Germany, or Austria are engaged in producing the same stuff at a rate of wage which enables the manufacturers of these countries to undersell; their efforts must in such case ultimately be self-defeating, inducing diminished general demand for their wares, and lessening their opportunity of employment. The same inevitable result attends every effort of the sort in every branch of industry in every country, except those few round which a local accidental monopoly has for the moment thrown its protective arm, and these are becoming fewer in every country of the world simultaneously. Therefore it follows that in every country, sooner or later, and for the most part sooner, a concerted and concentrated effort of the wealth-producing classes will necessarily tend to assert itself in one of two

antagonistic directions—that of what is called national "Protection" on the one hand, or the "internationalization" of wage conditions on the other. If Manchester is being undersold by Roubaix either in the London market or that of Buenos Ayres, sooner or later Manchester will seek relief in one of two ways—either by building a wall of protection round England, or by endeavouring to persuade Roubaix to combine and increase its scale of wages, so that the cost of production there may rise to equal that of Manchester, and that both may "start fair" in their competition to control the markets of the River Plate; until such time as the development of a similar industry in the Argentine, and the efforts of producers in that country to protect their industry, will have shut the markets of Buenos Ayres against Manchester and Roubaix alike. And then these two centres will join in endeavouring to induce the operatives in Argentine mills to demand higher wages from *their* employers so as to "give a chance" to their European competitors.

What the Lancashire Free Trader is capable of in the way of efforts directed towards a pitiless Protective policy trying to impose the burthen of an oppressive monopoly abroad, was signally exhibited when Bombay entered the lists of competitive production of cotton-stuffs. The capitalists and labouring classes of Western India asked for no protection, and were willing to open their markets to their Western competitors, the import duties of India being imposed absolutely for revenue purposes. But the capitalists and workmen of Lancashire with one voice insisted, that against the wishes of the people of India and its Government, the interests of the Indian producers and consumers alike should be subordinated to those of their British fellow-subjects, and the Indian Government should be compelled to levy an excise duty on the Indian product, equivalent to the revenue import tax to which, in common with other commodities, the Indian fiscal system found it convenient to subject importations of cotton manufacture. This tyranny of monopoly was exercised in the name of free trade. And in like manner, if the thing were not obviously beyond its power, the Imperial Government would at this moment be subjected to urgent pressure of voting power, to exercise the same oppression on the self-governing people of Canada, Australia, and South Africa, and would find some specious pretext on "free trade" principles for obeying the selfish mandate of its electorate.

So, to fit the boot on the other leg, when the Chinese prohibited what they considered the mischievous habit of smoking opium among their people, and to that end forbade its introduction into China, and confiscated the stocks of it accumulated in defiance of the imperial edict in the warehouses of the "Bund" at Canton, the Government of India, in the interest of its revenue from opium, induced the British nation to wage war upon China, and to compel the Government of that country to continue to permit the vice which they had determined to eradicate from among their people—probably as wicked an act as any civilized Government in the world ever committed. To this day, again, West Africa is being deluged with infamous alcohol, the product in the main of German and Dutch distilleries; and the honest attempts of the local Governments to protect the negro races under their care from deterioration by this means are thwarted in the interests of sacred commerce, the while all sorts of attempts are being made by lessening the opportunities of indulgence to compel the "workman" at home to abstinence. No doubt it would be found that were the Imperial Government minded to attempt any interference with the African drink trade, some gentle diplomatic pressure would be exerted in London by some representative of a friendly Power, to induce the Foreign Office to promise that Colonial Governments should abstain from too stringent a suppression of vice. It comes to this, that in the realm of commercialism the prepotent motive is sheer cynical selfishness. "Principle" stands for nothing; or rather is adopted as a sort of hypocritical cloak for acquisitiveness, and greed is saturated with hypocrisy.

Thus it is that so long as the producer thinks that his material interests will be furthered by unrestricted importation, he is a convinced adherent of the "principle" of Free Trade; when he finds that his employment depends upon the exclusion of foreign competition, he will be an equally enthusiastic convert to the "principle" of Protection, and clamour that his servants, the people who make believe to "govern" him, should faithfully carry out their duty of preserving to the utmost the opportunity of employment for the "workers" of the nation, more especially for those who are concerned in his own trade. And into the merits of these competing principles, neither of which is a principle at all, for both alike are mere assertions of empirical expediency, it is proposed to enter in a later chapter.

The "internationalization" of labour, the equalization throughout the world of rates and wages and conditions of employment, is in itself a legitimate aspiration on the part of those who live by their work; but the realization of the vision must for centuries be attended with difficulties apparently insuperable. How, for example, enforce upon the rice-feeding abstinent Hindoo that he should claim a rate of wages equivalent to that needed by the beef-eating and beer-drinking Englishman? Or on the dogged untiring acquisitiveness of the miner of Northern China, the free and somewhat expensive standard of life and the politic restrictions of working hours that are preferred by his brethren in Pennsylvania or Northumberland? And so on throughout the whole cycle of productivity. You can make war, or threaten to make war, on a government, to compel it to adopt or abandon measures of State which affect the self-interest of an influential section of your "constituents"; but how do you propose to impose your will on the subjects of such a government, in the matter of the wages or conditions of labour which such subjects think fitting to acquiesce in, in obedience to what they deem to be their own self-interest?

Just as the ultimate persuasive force of a government lies in cannon and warships, so the ultimate arguments of associations of men must be terror—backed by force when necessary. Nothing less will suffice to deflect the collective deliberate will of a population; and so it comes about that the "international" association, which was started with the entirely laudable and benevolent object of promoting the common interests of the working classes throughout the world, has everywhere been constrained to pursue its aims by unavowable means, and to share the use of the bomb of the anarchist and the train-wrecking apparatus of the railway robber. And indeed the physical details of every conflict between Labour and Capital are full of terrible hardships and evil; and in noting this no partisanship is aimed at. Strife is strife and essentially cruel; and in warfare all things are permitted. Hypocrisy is resorted to freely on both sides, so as to placate the readers of newspapers, and avoid exciting the hysterical antagonism of sentimentalists. A "strike" is decreed, often enough absolutely justifiable and necessary, sometimes neither; or a "lock-out," equally dictated by the real or apparent necessity of self-defence. This is war, which when it breaks out becomes a contest of physical endurance of violence and of

threats. In the United Kingdom the majority of electors have demanded and obtained the right to resort to terror and violence under the guise of what is described to the sentimentalists as "peaceful picketing"—of the peacefulness of which its victims are best able to judge. The police stand by in a bewildered attitude, as it were, completely unable to discriminate between the "persuasion" that is a legitimate weapon, and the "breach of the peace" which it is their normal function to prevent and punish. Nor do the spectators understand much more of the ethics and conventional hypocrisies underlying this paradoxical but quite inevitable legalization in the twentieth century, of the "right of private warfare" which is supposed to have been finally abolished in the fifteenth. Far be it from the writer to indicate what he does not in the least feel—any sort of disposition to take sides in this ever-impending conflict; though human sympathy must always be with the sufferers, the women and children. His task is to analyse things as they are, and present them stripped of their conventional cloaks of hypocrisy.

If a "trades union" is to attain its purpose, it must be by exercising compulsion. It is committed to a double conflict, with "Capital" in its front, and the host of unemployment in its rear, and has to control also the recalcitrants in its own ranks, and stimulate the courage and endurance of its own hunger-pinched army. And people keep pretending that this can be accomplished by "enlightened discussion" and the exercise of the pacific arts of persuasion! The "liberty of the subject" is a sacred right. But rights are apt to be suspended in time of war. And you cannot recognize a "right" to organize a combination to strike for better terms, without conceding the power of infringing the conflicting supposed "right" of every man to contract for himself and seek his own livelihood uncontrolled by the will of his fellows. As regards the international organization of workers, the impartial way of stating the case is that the time is not yet in sight when it can hope to achieve its ends effectually, whether by recourse to normal and peaceful or to cruder and more violent methods. Not until the leadership of a movement has passed out of the hands of the visionary theorist into those of the practical and informed man of business and administrator, can its purposes be efficiently attained. And the era has not by many years arrived when a sufficient knowledge of the real inwardness of industrial phenomena will have

informed those who aspire to direct this benevolent movement towards the general amelioration of the lot of workers throughout the world. For the main part they are visionary and ignorant agitators.

It is far otherwise with organizations more modestly local and restricted in their aims and purposes, those which aspire to the organization of the self-directing efforts of workers within the confines of each nation. Of course, the essential distinction in this regard between the nation and the world, is that whereas in the world the sum of possible and profitable employment for workers is relatively speaking constant, and cannot be added to except in so far as it is capable of gradual stimulation by the enhancement of the world's demand; within the bounds of each country, the opportunity of work is susceptible of indefinite increase, though this must always be at the expense of the opportunities of the workers of other countries. So it comes about that side by side with the infructuous efforts of the "internationalist," inspired by a conception of ultimate abstract truth, but in practice impotent to bring forth anything beyond declamation and "revolutions," there operate in irreconcilable antagonism to them the practical and definite efforts of "national" unions of workers, directing their energies to the bettering of the lot of their own members within the confines of their own country, and necessarily to the correlative disadvantage of their comrades in other lands; and in truth it seems that it is by following the paths of these competing practical national organizations that the efforts of the workers are most likely to meet with success.

Within each nation the mechanism of the hierarchy of trades unions takes its place as a normal and necessary organization. No sane man, however devoted to the "interests of Capital," would desire to see its efficiency or power impaired; for it is the bulwark of the interests of the many against the acquisitiveness of the few. Of course this like all other human institutions has its faults and shortcomings, its shortsighted fallacies, its regrettable methods, its own collective excesses of acquisitiveness; but all these find their appropriate Nemesis in due course, in the impoverishment of the class, and the diminution of the power and industry of the nation. For the workers in every trade and in every country exhibit an almost automatic alacrity in seizing every opportunity of increased employment afforded by the commercial blunders of their rivals in other lands. The

instance of the ship-builders cited above * is typical of what must of necessity occur in respect of every industry of every country in turn, when a wrong impulse is given to associated effort. Where in any country those of any craft have for the moment succeeded in arrogating to themselves more than the commercially practicable share of the profits of any branch of enterprise, then and there immediately and inevitably, the employment of that craft is lessened in that country, and transferred to rival centres of production. It is the consciousness of this inexorable law of compensation which has inspired the visionary efforts of the internationalist to strive to eliminate the world's competition, and impose a universal scale of wage in every craft. But the gradual appreciation of this same elementary truth tends likewise more and more to modify and regulate the efforts of those who direct the policies of the "trade organizations" within each country. To them it is becoming increasingly evident that the Capital and the Labour of each nation cannot rightly be looked on as mutually antagonistic, inasmuch as they are engaged in an unconscious but indissoluble alliance offensive and defensive against the competitive efforts of the Capital and Labour of rival countries: and that the national welfare, which after all means the well-being of themselves and of their brethren of other trades whom they know and between whom and themselves lies the closest bond of sympathy and common interest, is only capable of being enhanced by the consolidation and co-ordination of the forces of their alliance. This result it is becoming the aim of the real leading minds of the armies of Capital and Labour alike to bring about in each country. For that nation which the best succeeds in formulating treaties between its hosts of providers of Means and of Energy is destined to the lead of the industrial world. From which it seems that in every country the secret of predominance lies in two methods, co-operation and conciliation.†

It is obvious, that the welfare of a nation ultimately depends on its success in appropriating to itself as great a proportion as possible of the world's opportunity of employment alike for the Capital and the Labour that form the Means and Power of its citizens. And in this relation we have to discard

* P. 113.

† A third and still more excellent way, Colonization, presents itself rather as a remedy for workless; see *post*, p. 198.

the limitation which in Chap. II., p. 24, had to be imposed on the use of the word "nation" as indicating an entity which could be conceived of as capable of possessing and owning Wealth or Means. The conception of "nationality," admittedly vague and indeterminate as regards the ownership of commodities and the appropriation of individual and specific incarnations of Means, as there pointed out, becomes on the other hand a legitimate and adequately definite idea, when viewed from the standpoint of the national well-being, for that concerns future generations as well as the existing one, includes the interests of individuals beyond its borders, and *pro tanto*, also of the strangers within its gates. The "Wealth" of a nation is a rhetorical expression, but its power and aptitude and well-being are actual and verifiable manifestations. By these expressions ideas are denoted behind which is the actuality of a potential force, not momentary and accidental only but permanent, and almost intrinsic to each nation. Into the mistakes and fallacies, the short-sighted aims and the often unduly acquisitive momentary objects of the associations of workers, it is not proposed to enter at all. They have their exact correlative in the equally temporary and short-sighted selfishnesses of the individual capitalist and of aggregates of capitalists. They are manifestations of human fallibility and embodiments of stupidity, a formidable series of flaws in things as they are. But the main hope for the future lies in their progressive elimination under the influence of the gradual enlightenment of both wings of the national army alike. But one fallacy common to both wings is that already touched upon (see p. 7). Both alike are apt to cherish the nationally suicidal policy of the "limitation of production." The world as a whole effectively limits its own production, by the operation of the law indicated above (p. 175). The sum total of commodities in the world can safely be left to regulate itself, for it must always, except in respect of certain things, prove equal to any demand. The essential element of national prosperity on the other hand resides in the concentrated effort of each nation to acquire for itself the facility and opportunity of appropriating as far as possible a larger and larger share of the world's demand, to push its productivity to the limit of commercial possibility, and above all to push back that limit to its furthest possible stretch. It is precisely that aspect of modern industrialism that the

"Chinese" philosopher who has been already quoted finds the most fault with. "Keep this striving of yours," he says, "from invading my country; we produce all that we consume, and consume all that we produce. We ourselves are sufficient to our needs, and have no manner of use for your Western commercialism." This presentment of the case is not literally true, as witness the irrepressible efflux of the yellow race into less conservative and self-contained countries than their own, the immense commercial activities of Shanghai and Hankow, and the formidable investments of Chinese capital and eager search for employment by Chinese labour among all the enterprises of commercialism throughout the Eastern world, ever striving to pass beyond it and compete for employment in America and Europe. But it is true enough to take its place as a general statement. The point is, that this is an ideal incapable of realization in the other countries of the world, and before long will prove equally impossible in China.

The key-note to national aspiration must always be this competitive enhancement of national productivity. The ultimate and far-reaching enigma is how far, and in what manner, this tendency is susceptible of being reconciled with the other more vital and more intimate elements of a true progressive civilization of mankind. In a previous chapter has already been indicated the mode in which the energies of industrial people have evolved their special aptitudes and thus brought about an enhancement of productivity by means of the specialization of function, a process which Mill rather ineptly called "subdivision of labour"; and in the next chapter (p. 190) are noticed the less beneficent aspects in which this tendency manifests itself in the direction of what has been referred to as the mechanicalization of the worker.

Next have to be dealt with deeper and more far-reaching sequences of the consequent enhanced capacity to produce, when taken in conjunction with the inevitable result of the general truth of the commercial limitation of demand above insisted on; the misery of mononesis. The extent of the world's demand is the commercial limitation of the possible activity of supply; and the share in the trade of supplying that demand which can be claimed by the workers in any one country is limited again by the industrial circumstances of that country, and the aptitude of its institutions to assist instead of impeding

the efforts of its citizens. And success in the endeavour of one country to extend its opportunity can only be attained at the expense of the people of other countries. So it comes about that in one country or another and from one time to another, some part of mankind is "short of employment." This, and all that it implies, brings mankind face to face with the gravest of all the enigmas of the Sphinx: the terrible problems of worklessness and poverty, which must be considered in the next chapter.

CHAPTER XI

WORKLESSNESS

The more specialized the worker, the more he is at the mercy of a diminution or cessation of the demand at any moment for the things for the production of which he has acquired his special aptitude. In some way or another a government, a municipality or some philanthropic organization has in the last resort to find employment for a part of the surplus unspecialized labour of mere physical exertion. In India this task has necessarily come to be recognized as an imperative duty of the State, by the exercise of which alone, the people of vast provinces can possibly be preserved from annihilation in times of famine. Whenever the duty is neglected or, as in some countries, inefficiently or corruptly performed, humanity for the time becomes decivilized, and the human being degrades into the primeval embodiment of brute hunger and fury. And in this aspect, the alleviating effort of the State loses the merit of philanthropy, and embodies the necessity of self-preservation. In the last resort, society is constrained in its own interests to clothe the naked and feed the hungry among the workers, whenever the naked and the hungry are numerous enough and strong enough to help themselves to those things needed to preserve their existence by force if they are longer withheld. At the other end of the scale is the army of unspecialized non-workers—the penniless "respectable" wastrels of the upper or middle classes, and the unemployable and shiftless of the poorer sort, those who having no faculty of service, depend for existence on the more or less willing contributions of their luckier kinsfolk, or the grim compassion of the State. To some of them is open the industry of crime as an alternative resource; and the way of the bee with the drone not being among the permitted "resources of civilization," some feebler mode of parasitic existence shapes itself for others who are grudgingly permitted to burden the Means of other people. Another less unmeritorious host again is that of the unfit

or incapacitated, the superannuated, the infirm, the imbecile, and the helpless. These have a legitimate claim to be kept alive, inasmuch as they do not merit to be destroyed. But the care of all these great necessitous armies, though a pressing duty and an immense burden on the society of which they form a part, hardly comes within the domain of economics. It concerns the self-preservative necessities of the State, the active benevolence of the individual alms-giver, and the philanthropic effort of charitable organizations. It is a great part of the universal enigma, but not that portion of it the solution of which is within the province of the economist.

What he has to deal with is the misfortune of worklessness arising from the economic causes of superabundant supply and inadequate demand; from what has been above described as "Mononesis." Now this is essentially a local and national question, and in dealing with it, a man, be he never so humanitarian and concerned for the welfare of mankind in general, is just compelled to think simply in the interests of the nation of which he is a unit. The causes of worklessness may be and often are to be sought in other lands, but the stress of it is upon his own people, and the remedy has to be looked for at home, whether it takes the shape of spontaneous individual effort, or has to be sought for from State action tending to modify the causes which arise within or without the country, and produce perturbations in the world's economic conditions, acting to the detriment of its people.

Each fresh improvement in the process of production, each mechanical contrivance by which two men can accomplish the work that needed the efforts of three, each permanent or temporary diminution or shifting of demand in the world, brings about inevitably in some place or other in the world a dislocation of employment, inasmuch as in respect of the great majority of commodities there is and must be always a power of supply adequate to furnish all for which there is commercial demand. Like other diseases, that of worklessness manifests itself in a country in two aspects, the chronic and acute form; and as each specialized worker is by virtue of the very evolution of his faculties in one trained direction less competent for employment in another industry requiring differentiated faculties of its own; it follows that casual unemployment tends always to become more or less chronic; which means that there is a

steady tendency for those thrown out of work to drift into the army of unspecialized workers and become embodiments of unskilled energy. Nor does this exhaust the enumeration of the causes that are constantly in action to deprive the worker of his means of livelihood. As age creeps on him and his hand loses its deftness, his value as a machine-minder diminishes so rapidly, that at a comparatively early age he finds himself forced to abandon his special employment, and enter into competition with the ill-paid host of the unskilled; while too often the well-meaning efforts of the State find their expression in legislative conditions, always devised for the special benefit of the worker, but whose uncalculated by-results often tend to injure and impoverish him. For example, in England, it has been thought fair to cast upon the employer the liability to compensate the workman for all accidents in the course of the employment, even those caused by his own awkwardness or stupidity, and in this there seems a manifest "justice." But then the natural result is to restrict skilled employment more or less to those whose natural activity and alertness is such as to enable them best to escape the risk of injury in perilous trades; while at the same time the huge expense of insuring against this liability imposes in some trades a handicap on the employment of Means which in the strenuous race of international competition to produce, has its own danger of giving an advantage to countries less solicitous for the welfare of their workers. And so again the employment by individuals of "casual" labour in occasional "jobs," a valuable resource of the unskilled, is by the enforcement of this liability saddled with a comparatively prohibitory risk, for accidents in the course of such "jobs" cannot be similarly insured against. All State action imposing special liabilities on employers has its similar perils to those in whose interests it has been invoked. So it happens often that some manufacturer engaged in producing some article of world utility finds that the incidence of either the taxation, or the regulations, or the "trades union rules" of one country impose a burden which can be escaped by his substituting works in another; and thither he transfers his works speedily, and with them the opportunity for employment which they afforded to the people of his own country. Similarly the employer is compelled more or less to transplant his organization of industry in those cases in which owing to protective tariffs abroad the transference offers

him the only chance of securing access to the markets of the protective country, which are barred by heavy duties to the produce of his factory at home. In all such cases the employment of industry and the use of his Means will migrate and advantage foreign peoples. The ultimate profit in Means may still accrue to the British employer and be received and expended at home; but the Wealth from the making of which the Means arise becomes alien Wealth, and the producing of it a part of the economic process of another country; and again, so much of Means as arises from the surplus and saving of wages similarly transfers itself abroad. As this begins to be fully realized, it may be hoped that more caution will be exercised in devising benevolent regulations to be applied to industrial effort, and better care taken, so to legislate as not to drive employment away from a country; for none can afford to allow sympathetic and sentimental benevolence to interfere with the possibility of the successful employment of its Means within its own borders. For "Capital" is a sensitive and timid thing, always tending to fly to the land where it is subject to the least burden, and in its flight to take with it the means of employment which enterprise would otherwise provide.

It seems that in every country, and in all trades, there is a certain margin by which, at normal times, the supply of skilled labour exceeds the available demand for it; and it has been too hastily assumed that the effect of this excess is normally to reduce wages to the bare point at which it is possible for the worker to subsist and maintain his efficiency. Now with regard to entirely unskilled labour this is more or less true in every country—not everywhere in each country, but at those points where population is congested, and hands are many, and work is scarce; and it is a truly terrible and pitiful state of things, no conceivable practical remedy for which has as yet been so much as suggested, except by way of the systematic deportation of the surplus energy to lands willing to receive it and provide it with a livelihood. And this, like iodine in medicine, is a "weakening" drug needing to be jealously guarded in its use, under penalty of exhausting the life-blood of the nation and reducing it to anæmic commercial impotence. One thing is abundantly clear; and that is, that no attempt at a systematic "Redistribution of Means," "better distribution of Wealth" they call it, would have the slightest effect as a remedy, beyond the few days needed to

consume the commodities which would be purchased with the plunder, nor would be so much as conceivably possible in any country, unless the whole world agreed simultaneously to such redistribution so as to prevent the stampede of Capital from one place to another; for Capital will not remain in a country to be "confiscated."

With regard to the competent worker, the tendency as a fact is rather to a progressive increase in the rate of his remuneration, more or less balanced in some countries, but not in others, by a correlative counter-tendency to an increase in the cost of his subsistence, arising in great part from the enhanced cost of production of commodities consumed by it. Thus in the United Kingdom the artisan,* generally speaking, has as the result of the experience of the last forty years found his wages generally greater by about thirty per cent., whereas the cost of his subsistence in all respects but that of rent has sensibly decreased. In Germany a somewhat similar state of things has occurred, but there, the cost of living on the whole has increased, though by no means to the same relative extent. In America, according to some authorities, the increase of cost of living has more than swallowed up the increase of wages; but it is doubtful whether this statement is capable of verification, for it is difficult to find in this regard statistics drawn up with sufficient impartiality of intention to be relied upon.

While the foregoing enumeration accounts for the chronic or normal tendency of the population to exhaust its means of employment, the bulk of properly skilled labourers suffer from acute occasions of inactivity, arising from a variety of more or less accidental occasional periods of exceptional and acute depression. These may arise in diverse ways, most often as the result of "financial" and "commercial" crises brought about by unhealthy conditions of trade or speculation,† sometimes by food-famine, in some notable instances by natural or artificial scarcity of raw material.

In this category must also be placed the recurrent dislocations occasioned by trade disputes, as to conditions of employment, and

* Mr. Bowley, in his "National Progress" (1904), Chap. I., says: "We have seen that for those groups concerning which we have information average wages have risen 30 % since 1881, that the average income of the population has risen 20 %, that prices have fallen 8 %, and that meanwhile the regularity of employment has on the whole improved."

† See *ante*, Chap. VIII.

especially as to rates of wage: strikes and lock-outs, combinations, the fratricidal and suicidal wars between Capital and Labour, which, commenced in one trade, tend like the wars of nations, to drag into their vortices and involve in their calamities ever-widening series of apparently independent industries. In almost all these cases—the acute cases—the deep-seated cause of the disease is just lack of confidence acting on the timidity of Means. From distrust to panic is a mere step, and a morbid condition of industry, commerce, or finance, tends under the stimulus of apprehension, inevitably to intensify the process of the depreciation induced by the diminution of that confidence, which enters so largely into the nature of that desirability of things, which is their value.

For the acute phase of the disease, Nature finds its remedy in the elimination of the unfit: a cruel, though a helpful process. As the unsuccessful are eliminated, and the morbid part cruelly excised, a greater confidence in what is left returns, normal conditions supervene, and the intricate total organism resumes its normal functions. But to deal with the more chronic symptoms of what may be called "constitutional" worklessness, palliatives rather than a radical cure must be looked to. "Diseases"—once said an eminent physician in addressing the students at a hospital at the commencement of a term—"Diseases may be "roughly divided into two classes: those which cure themselves, "and those which we are unable to cure." And this is as true of the body politic as of the microcosm of the human frame. The most effectual palliative in each country seems to be by way of a sustained and combined effort of each nation to increase for the time the commercial world's demand—which includes as the most important part its own domestic demand—for what its workers can produce. And there is much truth in the reflection, that it is this effort to secure an "expansion of market," which in modern days has taken the place of the old unintelligent lust of dominion which led to the warfares and conquests of bygone generations. The strife of the future must, it seems, be the strife of competing industrialisms, struggling for the mastery of the world's markets to further the interests of their working populations. In such a warfare, the cheapest must ultimately prevail in the neutral markets of the nations which remain ready to supply themselves with commodities from any source which offers, while waiting for the opportunity to establish industries of their own.

The dream of the collectivist is of a state of things in which each nation, limiting itself to "consume what it produces and produce what it consumes," shall have abolished foreign trade altogether, and, producing all the commodities that it needs by collective effort within its own borders, shall distribute the product in an official way among its own citizens, all of whom shall be employed in producing, under the superintendence of the central government. That postulates the possibility of each country being thus sufficient unto itself; a purely imaginary and impossible state of things which has not been known to exist in any country in the world except peradventure some of the sequestered communities of the extreme Orient, and which even in those regions is now passing away. This collectivist thesis requires, though it hardly deserves, chapters to itself, and will be dealt with further on.

Apart from this extreme and problematical quackery, no complete solution of the enigma of worklessness has been propounded. But it is admittedly possible for the Government of each country, by adjustment of taxation on imports, to keep for supply by its own workers an increased share in the demand for the commodities they are able to produce, and in this wise materially to counteract the tendency to unemployment. Such measures, says the "Free Trade" school, must necessarily be more than counterbalanced by a more than equivalent restriction in the power of competing for the supply of other countries, which for this purpose they habitually portray as of greater volume and importance than the home demand. These are the conflicting ideas that lie behind the controversy between the Free Trade people and the Protectionist people; a weary dispute, disfigured by many unfounded assertions and illegitimate conclusions on both sides, into which the impartial economist is reluctantly dragged, and which has accordingly to be dealt with in a subsequent chapter to itself. The question is one of mere expediency, and would therefore almost seem certain of solution by accurate quantitative analysis, if it were only possible in England to get people to discuss the topic unbiassed by political prejudice, to lay aside dogmatic axioms, and to abstain by a decent common consent from the use of conscious falsehoods of statement and inference in the discussion. Some plan might possibly be thus worked out, by resort to which the State might hope to preserve for its own folk a greater proportion of their own

demands, while not materially impairing their power of competing in neutral markets.

In truth the scientific treatment of the disease of worklessness, both in the aspect of recurring intervals of unemployment for the skilled artizan, and in the more chronic and threatening aspect of the national surplus of unskilled labour, is not by way of being attainable by any patent specific. It is rather in the direction of a steady, intelligent, cautious amelioration of general conditions that the remedy is to be sought in this country. Statesmanship must have the principal share in the task of prescribing the hygiene; of regulating the normal healthy action of the State in controlling the fortunes of its citizens. And an attempt will be made in the succeeding chapters to indicate the limits of possible State action in this regard, and the conditions subject to which it must necessarily be undertaken.

The economic functions of benevolent philanthropy in the domain of the alleviation of unemployment are alternatively under-and-over estimated. Benevolence may be regarded as a practical manifestation of religious faith. So it is. It was for the want of this, that the Roman and Byzantine Empires, despite their professed Christianity, were brought to nought. Properly directed and co-ordinated, it has the function of increasing the possibilities of commercial demand, and applying the means of the wealthy to the systematic rehabilitation of the less fortunate. And this also will be treated in a subsequent chapter. There are but these laborious and painful modes of effort available to a nation. The other remedies are for the most part pretentious quackery.

The analysis of the phenomena of worklessness would be incomplete without more specific reference to the case of the unspecialized workers—that ever-increasing army which has been encouraged to reproduce its uneducated for the battle of life, unfit for specialized employment, with nothing to offer in exchange for its means of existence but the hire of its bare physical energy. For it is among these that in the great nations the terrible enigma of unemployment and poverty develops its most awful cruelty. The more unintelligent the labour of the human being, the more his work is capable of being superseded by mechanical contrivance. The building of a quay in any one port, and the erection of a crane on it, will deprive thousands of lightermen and porters of the work for their thews and sinews

for moving goods in cases and packages from ships in the harbour to warehouses on shore, which is all the work for which they are fitted. There will be meetings, denunciations, a riot or two, a few poor people shot; but the unrelenting progress of contrivance must ultimately prevail, and the victims gradually be provided for in the workhouse and in the gaol; and the bigger and more populous the nation, the more helpless becomes society to deal with this mass of misery. In such States as Denmark and Holland, it is found possible to circumscribe the area of abject want, to deal almost adequately with individual necessities, and to control perilous manifestations of the entirely justified discontent of the suffering masses. In the United States of America, the miserable are constantly recruiting the sinister army of "crime" which is the natural revolt of Man against institutions which fail to provide a tolerable existence for the citizens. There, side by side with the "trusts" and "combines" which form the weapon of the wealthier class of the predatory, lurk the gangs and regiments of specialized criminals who undermine society from below;—train-wreckers, burglars, kidnappers, body-snatchers, blackmailers, promoters of "bogus" companies, adepts at "graft" and the like. The organism is rankly outgrowing the controlling power of the organization, and the administration of the police and of the criminal law are unequal to the strain of protecting society.

At a certain point of misery, what we are in the habit in our own interests of belauding as the "self-restraint" and "self-respect" of man gives way. He leaves off desiring to be "respectable"! If the institutions under which he lives are insufficient to ensure him a tolerable existence illumined by some degree of hope, from a life passed in obedience to the law, he is impelled to measure his force and his wits against the law, and prey upon the society which he thinks, not without reason, has somehow failed in its duty towards him; and this brings about the state of things in great cities the world over, which is at once the great reproach of and the great menace to modern civilization. This is the very kernel and essence of the great enigma of life—the misery of extreme and hopeless poverty—the paradoxical "survival of the unfittest."

While the skilled workman is subject in all countries to occasional vicissitudes of loss of employment, it is entirely untrue to pretend that his wages tend to decrease, except

momentarily with seasons of decreasing profit. On the contrary, almost all over the world, by the concerted efforts of the unions of working men, on the whole most wise and beneficent (though sometimes apt to be pushed to perilous extremes) the tendency is for "profits," *i.e.*, the wages of superintendence, to fall, and "wages," *i.e.*, the pay of the manual worker, to rise; and this is as it should be, so long as profits are not forced down to the point below which Capital refuses to engage itself. But as to unskilled labour, cared for by no efficient union among its superabundant ranks, the law appears to be inexorable, that its remuneration tends to fall, not only to the point of bare subsistence, but unhappily below. For here steps in the scavenger, the plier of the engine of sweating, the engineer of the parasitic trade. It seems terrible to think that in a city like London, a human being can be employed the week through for ten hours a day at 4*s*. a week. That is the current rate of pay of unskilled girls employed in tobacco factories. In this way the manufacturer exists at the expense of the benevolent, for if it were not for charity and the rates, these poor children could not exist to work. But then, on the other hand, without the pittance that they bring to the starving home, that in its turn could not be kept up. And, to complete the vicious circle of iron necessity, without recourse to such labour at such remuneration, these hard pressed industries themselves could not subsist; and that much relief of extreme distress would be quite cut off, were the State in an impulse of sentimental indignation to attempt to prohibit employers from having recourse to "sweating."

Can by some treatment this form of the general disease be forced to yield to curative skill? That is the central problem of economics. A science that professes to deal with the concrete becomes like its abstract counterfeit, in its turn a "dismal" logomachy, once it is forced to turn a helpless back on its own main problem. For each nation the solution must of needs differ, but it almost seems for us of the United Kingdom, that the watchword has to be "Educate and Colonize." Much ado has been made in the name of "education." What people generally mean by the word is that very different thing, instruction;—and of this it may be that there is enough and to spare, not only available to, but enforced upon every starving child, whose efforts might otherwise be bent upon helping to keep the wolf from the door of the squalid home. Instruction has its

utility, but at its best it is not education or even a substitute for it. One is not concerned to deny that it would be an evil thing were the youth of the nation allowed by the State to grow up in ignorance of the simple functions of reading and writing and the reckoning of simple sums. So also and still more, is it evil that the children should be brought into the world with taints of hereditary disease, systematically underfed, subject to the noisome influences of over-crowded hovels and bad air, the evil influence and evil sights of over-crowded city life, and the sordid blighting powers of misery and crime. But these have to be left to philanthropy to mitigate, while the State busies itself about instruction, and especially concerning the degree to which persons of competing theological profession are to be allowed to intermeddle with it. For education in the true sense, the fitting of the young human animal for a useful and wholesome place in the life of the nation, we Britons will one day begin to care, when we have settled the precise dose of "Cowper-Templeism" that is to be administered in the schools, and by whom.

From an economic point of view, this difference between instruction and education is very relevant. If the boy, however fully instructed, is to grow up with no better function than that of lolling at the tail of a cart as it passes through a city, to see that other less fortunate boys do not pilfer the packages it contains, and if from that function he is promoted to carry a tradesman's basket till he grows strong enough to apply for a casual labourer's place at the dock-gates, it hardly seems of great importance whether he should read fluently or write legibly or answer correctly what is nine times seven. What *is* of import is that he should receive such training as may afford him an opportunity of exercising some better function in the body politic, even to the extent of being able to think articulately for himself and act intelligently in conjunction with his fellow-men; and here comes in one of the economic functions of philanthropy. The "State" may instruct, may even fit and possibly qualify, but the human being alone can educate. The education of the slums is always available, always qualifying for the prison. Dickens' "Fagin" was a real educational professor. His pupils he turned out fitted to conduct their battle of life on the lines marked out for them by the master mind, to a degree which the board school emulates in vain. And now benevolence comes to the rescue and offers to those who are willing with their means

to join hands and help to fight with Giant Despair, the possibility of effecting something by way of the regeneration of society.

Much inflated nonsense of a rather offensive sort is uttered in connection with the idea of the "British Empire." Vague conceptions of dominion and power inspire the cheap patriot at the contemplation of the map of the world tinted red in so many big patches: but this inflated cant moves the thinking sober man to pity. These great States, hoisting flags of the same pattern, all with a common sentiment of national identity, are all essentially independent nations, each with its own ideals, its own conceptions of its interests, aims, and duties, which no one of them can be asked or expected to subordinate to those of the mother country or of any other member of the lightly-knit federation. The slightest attempt on the part of Britain to exercise control in its particular interest or in that of the "Empire" over any great colony or federation of colonies in matters of vital importance could merely result in the snapping of the frail bond. But the union, for all that, is not merely one of the flag and the identity of the national hymn. The common language and the common history, identity of race and mental constitution, mean much, and from an economic point of view mean above all not so much any participation in an exclusive commerce (though there may be something in that), as a readiness of the British colonies to adopt and make room for fresh colonization by incorporating fresh streams of immigrants of British descent. And it seems that it is in this still open opportunity for the enfranchisement of the over-pressed proletariat that lies the real significance of the idea of the "British Empire." Therefore to the solution of these enigmas propounded in the latter portion of this chapter, the answer has to be sought in the steady co-operation of all those who can help in the extension far beyond the degree as yet attained of the methods offered by organizations already existing in our midst. By steadfastly founding similar societies through the breadth of the land, it is possible, it may be, to fit the superabundant young of the more destitute classes to take their place as useful citizens of those splendid countries which continue to fly the same flag and to offer a welcome to those whom we are able to send forth to supply their need for a greater population. No other way is open, and seeing that it is the human element in education that is the most valuable, this way is beyond the functions of the

State and has to be left to the collective work and organized benevolence of the Man.

It is well not to believe too much of what appears. The facts of unemployment and misery are bad enough. The real sufferer hides obscurely and makes but little sign. He is known to the devoted workers of the organizations of mercy, but does not parade in ostentatious ranks, form processions in Trafalgar Square, and march scowling and cursing through quarters occupied by the well-to-do. He calls no public meetings, is marshalled by no socialistic fuglemen, and does not court the publicity of the police-court by "obstructing thoroughfares." All this is the province of the cadger, the loafer, and the unemployable—the tools handled by the militant socialist, who can always lay his hands on plenty of means to hire at good wages a sufficiency of "supers," to play the part of the sufferers in the annual parade of the "unemployed," the pageant of a sham army of distress. Take a regiment of that army, or a company of one of those regiments, and sift them man by man by the agency of one of the quiet hard-working genuine organizations which are beginning to spread through the country and which concern themselves generally with the well-being of the truly impoverished; and the force melts away like Falstaff's men in buckram. Take a hundred of them, sift, inquire—the incurable workhouse-patient, a number of gaol-customers and tramps and mendicants, a goodly proportion of men in good work who have joined the procession for love of a little excitement or a chance of a gratuitous meal. Some have been paid to march, and some have come in the hopes of a tussle in the streets in the course of which the pocket of the bystander may be picked. For some employment is provided, and they do not turn up to avail themselves of it; and so forth, till, of the five score, perhaps five are left who can honestly lay claim to the description of workingmen out of employment.* All the same these five are five too many for the well-being of society. But behind the sinister mob of ragamuffins, all but unrepresented in its ranks, there sits and suffers the real terrible army of strugglers with fate known to the workers among the poor—the real sufferers in the battle of life.

The essential and all-important problem for the United Kingdom is the stimulation of the demand for employment. Whether

* See A. H. Paterson, "On the Administration of Charity," republished from the *Times*, 1908, p. 40.

the increased opportunity for work takes the "productive" or "unproductive" form is (see last chapter) a question of less moment than is popularly supposed. To the comfort of the individual worker and his family it matters little whether he draws his wages as a coal-miner or a valet, for the service of "minding" a machine which weaves cloth, or that of carrying a hod in the building of an art-palace, or "waiting" at a fashionable restaurant, or running about as a vendor of newspapers, or as a bookmaker's tout, or a hawker of toys. And as among "producers," whether he is making bread or bonbons, cotton goods or fashionable "toques," a steam-engine or the internal mechanism of a "pari-mutuel" betting machine.

One way or another, each country can provide at a given time a certain totality of employment. With regard to our country, the problem is how at any given moment to strive so to increase our totality as to abolish or at any rate minimise worklessness.

In so far as service not directly "wealth-producing," is demanded by the possessors of Means, that part of the general employment tends to increase with the Means that employ it. "General prosperity and security" encourage employment in so far as they induce people with Means to expend instead of hoarding them. But undoubtedly the more solid bulk of work is that engaged in production, that which economists have been in the mistaken habit of exclusively considering when they have directed their minds to industry, but which, though far from being the entire Means-making resource, is the real Wealth-creating power, and forms the bulk and staple of the vital process of civilization; that by which human energy transmutes itself into Means by producing "Wealth" in its true sense, which is to say commodities. It is therefore on the possibilities of enhancing the opportunities for the Wealth-productivity of the country, that solicitude must mostly be concentrated. And this, as Adam Smith clearly demonstrated, can only be effected by stimulating the world's commercial demand for the things produced by the people of the country; production in excess of commercial demand being mere waste both of labour and material, and in the long run economically impossible.

A factitious demand for "work" may be created by embarking men for a little time in some sort of uncommercial occupation devised for the purpose of providing an excuse for giving them wages: "relief works" and the like. And every now and then,

recourse has of necessity to be had to such palliative measures. A primary requisite of all such schemes is that they should be essentially unproductive and uncompetitive, and thus interfere in no way with the normal industrial employment of actual workers. Otherwise they effect nothing but a shifting of unemployment upwards from the shoulders of the less to those of the more efficient among the workers. And the resource of setting men to work to provide unnecessary conveniences of a public nature, that they may not starve, is at best a wasteful one, and what is more important, a strictly limited one. There are but few of these immensely unprofitable "jobs" which can be invented, and these few must in fairness be reserved for seasons of special stress. A community cannot go on planning parks to be made and planted, and baths to be dug, and ornamental embankments to be built, *ad infinitum*, whether at the cost of current taxation, or (more vicious practice still) of loans, the interest on which is to be paid out of future taxation. The supply of possible relief works is soon exhausted.

The notion that each worker has a "right" to work, *i.e.*, to have work found for him by some State or municipal authority, whether his work is to be of value or not, is a fallacy based upon the incurable ambiguity of the word "right," which is used alternatively as a synonym for "that which is lawful" and "that which is expedient." The conception of this claim for employment will be dealt with fully hereafter, and may for the purposes of this chapter be eliminated, on the provisional assumption that this socialistic panacea is commercially impracticable.*

There remains, therefore, only one solution of the problem of unemployment, which is the stimulation of the world's demand (which includes the demands of other countries and that of the country itself), for what the country can produce. The measure of value of those things, and the extent to which the demand for them is capable of being enhanced, depend alike on their desirability. And this is capable of being increased only in one of two ways. The first and most obvious is by the individual efforts of the producers of those things to improve them by cheapness and increased utility, in competition and comparison with similar things produced in other countries. Such efforts, as things are, are subject to progressive counteraction by the counter-efforts of the people and the governments

* This point is dealt with in Chaps. XVIII. and XX.

of the other countries, to preserve to the utmost for their own populations the opportunity of employment afforded by their own internal purchasing power, and to fit themselves better for the competition to export. This double desirability they aim at by increasing import duties, which they screw up steadily to meet, as each arises, every possibility of their home industries suffering from the competition of goods from outside. For a subsequent chapter (No. XVI.) is reserved the consideration whether such a policy is suicidal, as the orthodox economists insist. Certainly it seems at first sight as if it "ought" to be. For to some extent it is bound to have the effect of tending to increase the general cost of production, and therefore *pro tanto* of incapacitating them in their turn from industrial competition with the "Free Trade" countries in neutral markets, decreasing their export trade, and therefore the opportunities of employment for their workers, so far as their industry produces things for supplying that trade. In that chapter an attempt is made to state and evaluate this among the other arguments for and against "Protection." As to the ultimate decision on that controversy an open mind must be kept. But for the purposes of this chapter it is well to point out, what will not indeed be denied by the most convinced "Free Trader," that whatever other and evil results a reversion to a protectionist fiscal policy may entail, and whatever way the balance of economic advantage may be found to incline, there is an obvious possible mode of increasing the home demand of each country for its own goods by means of protective duties. "Protection," for instance, if adopted in the United Kingdom, whether in other respects disastrous or not, must clearly have the result of increasing the employment of British capital and energy to the extent to which it succeeds in checking the importation of competing goods. And on the other hand (what may well be a further advantage) it is equally clear that in so far as import duties do not avail directly to check importation and increase employment, they must create a corresponding increase of public revenue; which will be available to reduce the local taxation by way of "rates," which will be shown (Chap. XIV.) to be in their present form the real main hindrance and handicap under which British productive industry is suffering as things are; the heaviest burthen on all the industrial classes—employers and workmen alike, and the most potent factor of the retardation of our

FROM STATISTICAL ABSTRACT. VALUE TOTAL IMPORTS OF ARTICLES WHOLLY OR MAINLY MANUFACTURED, 1896—1906.

	1897.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.
Iron and steel and manufactures thereof	4,497,985	4,999,274	5,575,424	7,314,696	7,561,734	7,909,925	8,662,481	8,216,772	8,589,405	8,359,752
Other metals and manufactures thereof	12,707,959	13,709,651	18,046,189	21,844,683	20,072,697	19,073,337	18,511,270	20,953,877	21,840,696	28,231,726
Cutlery, hardware, etc.	1,778,677	1,868,333	2,102,805	3,872,239	4,352,916	4,423,035	4,236,641	3,814,587	3,615,107	3,771,616
Electrical goods	242,185	367,572	613,593	1,265,946	849,257	687,514	876,389	845,873	1,010,304	1,187,625
Machinery	2,371,451	3,056,410	3,672,686	3,475,887	3,963,029	4,761,108	4,450,370	4,312,440	4,537,871	5,126,972
Ships, etc., new	Not enumerated as such till 1903.						57,985	26,196	32,623	28,400
Wooden articles	1,146,240	1,338,822	1,445,425	2,304,724	2,283,313	2,465,674	2,345,262	2,083,306	1,968,196	2,016,728
Textile, cotton	5,164,375	5,554,881	5,915,432	5,059,637	4,999,220	6,007,969	7,377,581	6,648,062	7,920,252	9,326,527
Textile, woollen	12,775,220	11,901,749	12,171,588	11,476,103	11,894,402	13,010,508	11,268,188	11,428,539	12,524,037	12,075,838
Other materials	21,203,886	20,822,864	20,709,789	21,452,365	20,607,705	21,491,289	19,505,920	19,385,895	19,244,139	20,082,092
Apparel	180,019	154,185	161,496	207,824	267,455	421,965	3,476,342	3,512,904	3,952,693	3,784,478
Chemicals, drugs, etc.	8,229,108	7,817,066	8,406,229	8,628,279	9,060,580	9,026,584	8,848,292	9,211,770	9,624,638	10,104,111
Leather goods	10,718,278	10,802,264	11,744,780	11,823,132	11,559,390	11,346,255	11,313,951	10,893,182	11,037,983	12,745,130
Earthenware and glass	3,911,806	4,145,934	4,129,630	4,128,989	4,528,499	4,678,473	4,780,739	4,337,273	4,312,218	4,219,162
Paper	3,480,574	3,530,184	3,723,094	4,412,440	4,342,234	4,537,674	4,850,183	4,940,619	5,256,065	5,728,505
Miscellaneous	20,469,707	21,721,071	23,169,910	21,007,948	21,880,869	23,428,894	24,870,501	25,359,965	27,930,680	29,020,729
TOTAL	108,877,470	111,790,260	121,588,070	128,274,892	128,223,300	133,432,095	135,432,095	135,971,260	143,396,907	155,809,391

national prosperity as compared with the livelier progress of countries pursuing a contrary policy.

Therefore, without prejudging the decision whether these advantages would be counterbalanced by greater evils or not, it is desirable to examine the list of imported manufactured articles and form something like a notion of the extent to which values now sent abroad in exchange for these, might under a reasonably restrictive system be made available for the remuneration of British energy and Means. Here one gets into a region of fairly accurate tabulation of statistics not really subject to any considerable fallacy of inaccurate classification.*

It will be seen that there was a total of over 155 millions of pounds worth of such things as can be made in the United Kingdom imported in 1906. Now, one may quite fairly assume—in fact it is an under-estimate—that one-half of this fairly represents the cost of the immediate labour of production, as distinguished from raw material, and from that result of past labour which provides "Capital." It may also be assumed, (still more under the truth,) that it would be practicable by reasonable "protection" to diminish the total import of these things by only one-half. Even so, an addition of close on 40 million pounds per annum to the amount expended on wages in the United Kingdom, suggests a mighty possible transformation of the face of things, were it capable of realization. And it must not be lost sight of, in addition, that each 1 per cent. of duty *ad valorem* on that half which would continue to be imported, would thus become available for public purposes to the extent of £760,000.

It is worth while to notice, in respect of this table, the figures of value of the imports of the first five classes (metallic manufactured goods) as contrasted with the rest of the list, of which the textile and clothing and "leather goods" category (lines 8, 9, 10, 11, 13) affords a fair sample. Roughly speaking, the proportion works out as follows for the ten years:—

	1897.	1906.	Increase.	Per cent. yearly.
Imported metallic articles Lines 1, 2, 3, 4, 5, value	21,600,000	46,700,000	£25,100,000	11·6
Imported textile clothing and leather goods, Lines 8, 9, 10, 11, 13, value ...	30,100,000	38,000,000	£7,900,000	1·5

* See last page.

No irregular or fluctuating cause has produced this huge divergency of result; the figures in both cases have steadily progressed from year to year throughout the period, indicating the influence of a regular and normal set of causes. These, it is true, are more or less obscure. But among them, clearly, cannot be reckoned either fluctuations of gold value (which, it is true, on the whole has been tending slowly downward, but very slowly), or any exceptional lack of adaptability or energy of British industry in the first group as distinguished from the second. Is not the main cause to be sought rather in the exceptionally large degree in which "rent" of space, and, therefore (with us), the burthen of "rates" enters as an ingredient into the cost of production of these particular things in Britain? At first sight it is admitted that this explanation will appear somewhat fanciful. But can any other be indicated anything like adequate to account for the gigantic discrepancy? It is to this, a cause affecting with peculiar severity these very industries, that the writer's antipathy to "rates" leads him to attribute the huge extension of worklessness in this department, involved in this startling increase in the values of this particular class of things imported for British use. Now, all of these are things, the available power of home-supply of which is fully competent to satisfy the home demand, were some action of the State to intervene in the struggle, calculated to equalize the conditions of production.

The cost of transport counts for something: the eager competition of carrying organizations to secure the freight on the very bulky foreign goods tends sensibly to afford an undesigned preference to the foreign producer. Something of the increase also is due to a natural expansion of the general demand arising from the extension of these industries by recent inventions of varied mechanical contrivances. But the potency of all such other possible causes is measurable, and comparatively slight. The main efficient cause must be sought in some other set of facts, and it is difficult to suggest any adequate reason but the one above indicated, and which will be found fully examined further on in Chap. XIV. The immediate remedy for this symptom of morbid retrogression is obvious enough; but whether that in its turn might or might not set up some still more grave disorder, is one of the debateable questions dealt with in Chap. XVI., and on which, for the purposes of this chapter, it is necessary to reserve decision.

Anyhow, it will be noted that it is not any either positive or relative general decline of the industries that is in question. It may be that as regards some of them there has been an actual increase of output, while as to those (and there are many) in which there has been an actual decrease, this will in most cases be found due to a great extent to the undoubted fact that many countries formerly dependent on us for their supply have found it possible to institute, and desirable to "protect," similar undertakings of their own. This has been the case, for example, with the once flourishing and now dwindling "tin plate trade." To so much of the general result as is due to this cause we have to resign ourselves. But of so much of the consequent worklessness as is due to the supplanting of the trade in things we ourselves consume by our own available demand, by competing imports, the effect is controllable and preventible; and to that extent the people oppressed by this particular mononesis are entitled to claim at the hands of the State a candid and practical investigation of the ills that affect their lives. And, above all things, it is necessary that this should not be prejudiced by the profession of any sort of pedantic "principle" of economic religion whatever.

To one prolific cause of the aggravation of worklessness in Britain, it is possible to advert but briefly. The investigation of it demands a volume to itself. But it is impossible to ignore in this regard, the effects of the persistent and practically unrestricted inflow of foreign humanity of the less desirable sort. Fully to appreciate the bearing of this element of distress, a man must (as the present writer happens to be) be connected with one of the charitable organizations which deal with foreign poverty in Britain.

An ineffectual "Aliens Act" notwithstanding, there arrives weekly at our ports a steady stream of persons, numbering hundreds and totalling to many thousands in the course of each year, people who driven by various impulses from their native countries, flock hither, augmenting the army of the unemployed, and reinforcing the crowd of claimants for charitable relief. The British law, which forbids dying in the streets of starvation, applies equally to these as to the native citizen, and a certain proportion of the immigrants are thus relegated to the poor-house sooner or later after their arrival, and help swell the "rates" paid by labour as part of its rent. Some few are got

hold of and "repatriated," but the majority just float about on the surface of the sea of casual employment, and subsisting with the aid of occasional doles from their fellow-countrymen, go to form no small proportion of the excess in this country of those with a "right to work" over the number for whom work is to hand, and pervade and oppress every branch of unskilled labour. It is not too much to assert that if this steady influx of alien distress were rigorously excluded, the problem of chronic unemployment would in time solve itself by absorption into more permanent employment. The sore is kept open by the constant fresh importations of this unwelcome human material.

A certain well-meaning and very mischievous sentimentalism lies at the foundation of much of this nuisance; and it is about time that this should be dealt with in plain words for once. The effusive cant about the "Sacred right of asylum" has much to answer for. Why this country alone among the lands of the world (for the American people who once shared the delusion have sharply repudiated it of late) should still "pride" itself (so the familiar patter goes) on welcoming to "our hospitable shores" any manner of ragamuffin who chooses to describe himself as having been "exiled" for "political" or "religious" reasons, it is very hard to understand, except on the ground that people are, as Carlyle put it, "mostly fools."

It may conceivably turn out a very wise step at some particular juncture for one nation to welcome people so exiled by another—thus it is said to have been, when the Huguenots were received with open hands in the day of the revocation of the "Edict of Nantes" and when Flemings and Hollanders fled here from the ferocity of Spain. Each case must be judged on its merits. But to proclaim the granting of indiscriminate asylum as a sacred principle of national ethics, irrespective of circumstances, savours of fatuity even in matters of politics. When a person who is not wanted presents himself for admission, he has no "rights" contrary to the interests of the people of the country, and there is no conceivable duty to receive him to our injury. Joseph Mazzini was doubtless a very noble man: but England would not have been much the worse if she had excluded Michael Bakounine; and there be those who consider that we might even advantageously have dispensed with the presence of Karl Marx.

As for Heine's heroes, "Krapulinski and Waschlapski" and

the other dingy shiftless denizens of Soho, the only people who benefit by their presence among us, are the nations who have got quit of them; for our national foible of sentimentality is perfectly well recognized in several European countries; and not only the criminal classes themselves, but the police and other authorities there who find it convenient to exile them for a time, play that foolish vanity of ours "for all that it is worth." And many an undesirable alien criminal, instructed by the police to describe himself as a "political refugee" or "proscribed schismatic," is shipped off to London at the expense of his government, to partake of our noble hospitality, and eventually find his way in due course to a British prison through the instrumentality of the criminal courts. These facts are abundantly notorious.

But the aliens who do us the most injury are decent working men enough, attracted by the notion that London is paved with gold—often induced to come by promises held out by British employers of a certain sort, who attract them when trade is brisk by offers of what appear to be high wages, and a vague promise of permanent employment, to be ground down for a time by means of an ingenious and complicated apparatus of "truck," till they are turned off penniless and homeless when things become slack. The devices of certain employers of this class, people whose works are entirely shunned by British labour, are familiar to our authorities, who profess to have no power whatever to interfere with the sacred "freedom of contract" by which these people are deluded into a miserable slavery for a short time, and then thrown helpless on the streets to swell the pitiful hosts of the "unemployed," and compete desperately with our own unfortunates for the precarious livelihood of unskilled and hopeless labour, and with our paupers for alms.*

* Personal experience of the writer at a charity meeting, January 27, 1909. Enter unprepossessing applicant for relief, very Teutonic in appearance. Question: What are you? Answer: Ein Kellner. Q.: How long in England? Sechs monat Why did you come? I tink I get vurk. Did you get it? A liddle, bei Lyons at de Exhibition. Afterwards? In the Hotel ——. Why did you leave? De work too hardt for me. What was the next job? Dey gif me a chob mit den Onemployed. So; what did you get? Twenty shillings a week. What for? To carry a panner. Q.: A red banner, with "Revolution" on it? A.: Ja wohl.

CHAPTER XII

THE STATE AND THE MAN

In the course of these chapters have been incidentally indicated some of the modes in which the economic life of a nation is controlled and affected by the action of the State. The form and semblance of the State power, the definition of the authority or hierarchy in whose hands is the disposal of the force which constitutes its potency are the subject-matter of "politics," in the true sense of the word. They affect economics indirectly, but can only be studied by the economist in respect of their economic results. In those nations in which the evolution of social institutions has passed through the intermediate stage in which this force is concentrated in the hands of a single absolute master, the determination of results is a question settled by what is called a "constitution."

This is the custom or law regulating the extent to which, and the machinery by which, it is contrived that the will and the purpose of the governing power shall coincide with that of the people of the nation, or rather of such a majority of that people as, should need arise, would in the last resort be able by force to impose their will upon the minority. For force, or rather the consciousness of force, is the only conceivable determinant of the assent of a people to such measures and laws of its governing power or State as affect their interests and destinies. In this force, when exerted from above downwards, resides the divine "right of kings," and when it takes the form of pressure upwards, it becomes the equally "divine right of majorities," which is worshipped in those countries which have adopted the device of appointing government by election. This statement of actuality is open to attack on "moral" grounds; but since it was first enunciated by Hobbes it has never been challenged by any competent thinker.

Now, the political apparatus of a "constitution" consists for the most part of a series of devices and conventions, by recourse to which this naked elementary truth is draped and disguised, and institutions of government are fitted to a nation, which are practically the series of conventions by which the actual employment of force to compel acquiescence can be as far as possible avoided. All the same, without the consciousness of force in the background, ready to exert itself when necessary (a consciousness which has to be equally present to the mind of the governed as to that of the governing authority to be effective), the State would be as impotent to determine the institutions of its nation or the effects of their working, as the Republic of San Marino is to influence the course of European politics.

The decisions of the Nation are in "constitutional" countries embodied in laws and regulations controlling, amongst other things, the economic rights and actions of individuals; whether by way of directly regulating or of indirectly affecting the conditions of industry or commerce, or of imposing taxation; and the enforcement of these laws is the duty of the State. And the national will thus ultimately controls the conditions both of Wealth accumulation and the distribution of Means, and that continuous reciprocal interchange of Wealth into Means and *vice versâ*, in which consists the essence of trade; and this influence manifests its results not only internally but externally; the nation's force, whether nakedly employed in actual warfare, or manipulated in the form of threats and promises beneath the glove of diplomacy, producing its effect in determining and influencing the will of other nations. Therefore the "State" impinges at every point not only on the economic existence of its own people, but also on the economic processes of the other nations of the world. The entire fabric of industry, the distribution of all Wealth, the accumulation of all Means, are each in this manner affected at every turn by State law and regulation, by the incidence of taxation, and by the action of the State in exercising pressure and influence on other nations. It will shortly be seen to what extent the accumulation and distribution of Means depends on the manner and extent of State taxation, and how this is unceasingly exerting power in determining the direction of the exercise of individual acquisitiveness in industry and profit-seeking. The mode of the expenditure and use of the

Means appropriated by taxation is in its turn also a factor in that demand for things which goes to build up the opportunity for production and the absorptiveness of consumption. Reference has already been made (p. 29*) to the importance which attaches to the exercise of the State function of incurring debt and thus creating the investments in which Means are embodied, while a still greater influence may be exercised in this respect by the regulation or more often by the insufficiency of regulation of the machinery for the similar creation of evidences of indebtedness by private industrial commercial and financial corporations. Nor are these last set of influences any more than the others, confined in their effects to the citizens of the particular country in which such associations are, so to say, domiciled. Each forms a mode of the employment of Capital open to the whole world; so that, for instance, the opportunities of fraud and oppression offered by the "company laws" of the venal little State of New Jersey may be the occasion of commercial and financial disturbance in the markets of London or Paris or Bombay. And lastly, no less powerful, come to be considered the incursions of collective or State energy into the domain of benevolence; the assumption, whether legitimate or not, by the central government of a country or by its subordinate municipal institutions, of the functions of the almoner, the schoolmaster, the parent, the physician and the nurse; the mode in which is fulfilled the function of providing means for the sustenance of the aged and infirm, employment for the sad little regiment of deserving workers who are temporarily unemployed, and some sort of harmless and infructuous pretence of occupation ("to keep them out of mischief") for the great and pitiful army of the unemployable who have to be fed. Each of these subjects offers matter to fill a lengthy treatise of several volumes, and the whole of them together would bulk into a formidable library. And it follows that in these chapters little can be attempted in the way of their analysis, beyond, so to say, a sketch or synopsis of those subjects which thus bear on economic results; while any work confining its scope to the consequences of the collective energy of nations acting within their own limits, would be incomplete without a similar analysis of the way in which the action of each State influences and is influenced by the corresponding activities of other States in the world.

* See also p. 137.

The economic welfare of a community depends on the conditions of demand and opportunities of supply, not within its own borders only, but throughout the commercial world; and these conditions and opportunities are being ever subjected to the influence of world conditions, themselves susceptible of indefinite variation under the action of each of an intricate series of causes. Some of these causes are capable of being determined by State action, and others operate independently and often antagonistically.

The latter may be summed up in two categories: the forces of Nature, and the ubiquitous and varied workings of individual acquisitiveness. Things as they are, are a combined result of these three forces: Nature, the State, and the Man. And this result is in each nation subject to unceasing disturbance by the reciprocal interaction of nations on each other. And while this is the true mode of social evolution, competing schools of publicists occupy themselves industriously in ascribing all effects to one or the other of the three factors, and dogmatically eliminating and rejecting the other two. For such is the mental constitution of your theorist: he deems his work imperfect until he has reduced all things to expressions of the working of the one "universal cause" on which alone he concentrates his mind.

The most determined antagonist of the idea that the State must be and is a chief factor in the evolution of the nation, was of course that great thinker Herbert Spencer. To be unable to accept his judgment on any subject connected with the science of sociology, one feels to be almost a misfortune; the first impulse being to suspect oneself of incapacity. But the trend of all modern thought keeps breaking away from Spencer's conclusions, and leading, it may be with exaggerated impulse, in the contrary direction. In almost impassioned language, Spencer pled the cause of the "Man" against the "State," following Mill, who put his whole soul into a passionate plea for "liberty," by which he meant the circumscribing wherever possible of the authority, and minimising the interference of the State. With still greater vehemence the modern "socialist" on the contrary endeavours to sweep the individual away, and substitute collective action, both as the motive power and the appropriate machine to work out the evolution of society in all its functions, and especially in that of industry. While apart from both of these, floating in a serene atmosphere of fatalism, are the distinguished group of

thinkers, (of whose thoughts the late Mr. Buckle was the first exponent in this country,) who deride equally the theories of both, and claim the ultimate deciding influence in all human institutions for physical peculiarities of the configuration of the surface of the earth, climatic variations, and the local phenomena of scenery rainfall and fertility. In truth, Nature the State and the workings of individual acquisitiveness are the three sets of causes everywhere and at all times acting and re-acting on each other and on their conjoint result. And our experience of the history of nations being after all but short and imperfect, we are still without sufficient data to be able to determine exactly to which of the three factors is chiefly due each constituent of the series of phenomena of which history affords us imperfect glimpses, or which are now passing along the stage of the world, observable in action by those who have the insight to observe.

For a later chapter is reserved the task of attempting to weigh dispassionately the arguments for and against the extension by the State of its sphere of action, and especially into the domain of productive industry; and it will be seen that there are involved in the arguments of "Socialists" in favour of this, two fallacies, —one the confusion of "Wealth" with "Means," and the other the supposed antagonism between "Capital" (whatever that means), and "Labour" which is the cant expression for human energy. But as to Mr. Spencer's conflicting theory, it is proposed to indicate here only what appears to be its main essential error.

The recognition by Darwin and Wallace of "evolution" as the normal process by which the differentiation of species and varieties of the organic creation has been and is still being effected, was followed by Spencer's scientific reduction of "sociological phenomena" to instances of the working of a similar law. And in this Spencer splendidly succeeded: but it seems that he pushed his conclusions further than the facts warranted, when he assumed that the blind impetus of evolution was necessarily in itself beneficent. The reasoning was somewhat after this fashion: "In Nature all progress is by way of the differentiation of habits customs aptitudes and organism analogous to what is observed in the biological struggle for survival in plants and animals; and this is a process making for good, because it is this which is at work adapting the organism to its environment and making it stronger and more efficient; therefore above all

things in matters social and political take care not to interfere more than is absolutely unavoidable with the free-play of the natural forces which, if you allow them, are sure so to operate on the wills of men, on their institutions, their circumstances, and their progressive adaptability and power, as to make them the most fitted for their environment, and best enable them to progress."

Here we come back very close to our old friend "Candide"; for though Mr. Spencer did not explicitly echo his immortal aphorism "that all is for the best in the best possible of worlds"; by implication he is an equally stalwart ultra-optimist. No doubt if we restrict to the utmost the function of the State, and leave the fate of Men and the nations to be determined by the blind resultant of the workings of conflicting individualisms on the opportunities of Nature, we shall in course of time, by the operation of evolution, attain to a sort of man, and a sort of organization of men, more and more fitted to fulfil the purposes of individual acquisitiveness. Carlyle's "man with the muck-rake" is, on this scheme, to become the supreme power in the world, and a race will ultimately issue of monsters of evolved acquisitiveness, devouring each other in strict obedience to the law of self-preservation, such as are exhibited in the perfection of their functions when a drop of water charged with micro-organisms is magnified upon the screen of a magic lantern.

We may freely grant, therefore, that all social development is essentially evolutionary, and that evolution brings about progress the most readily and attains its result to the greatest perfection when unhampered by legislative impediments and restrictions, or by any other collective action imposing a check on each individual's competition for supremacy. We can even assume, that the growth of each community adapts itself most readily and perfectly to the economic fitness of things, and tends best to adjust itself to the economic progress of civilization, when liberated from the generally ill-informed and always imperfectly appreciative mastership of the State. All these things are true; but still it does not follow that such evolution is necessarily in itself a beneficent process. The real human question is, whether this automatic natural economic evolution along the path of self-interest will really tend in its ultimate result to the ultimate well-being, not of the abstraction "mankind," for which the limited human intellect is incompetent to cherish any

real affection; but of ourselves and those who will come more immediately after us, those of our own country and race and those akin to us, the concrete human beings of the present and near future.

The Wealth of commodities, as has been pointed out, produces itself as it were spontaneously under the impulse of industrial enterprise, exactly to the extent measured by the commercial demand; and if produced in excess of that, is worthless, and loses the essential character of Wealth, which is value. The accumulation of Means by A. simply indicates its subtraction from B., and nothing else. It is no addition to available Wealth or even to the sum total of the Means of mankind*, and Means may therefore be increased indefinitely in one part of the world, by a process of heaping it up in the hands of one set of people, but only at the expense of another, or at one time at the expense of some other time. Therefore, so far from being a purpose to be desired as good in itself, its accumulation tends in some respects to evil; proceeding and intensifying and becoming more effective in one place and in the present, and therefore necessarily involving somewhere, against some nations or men or classes of men, possibly simultaneously, possibly in the future, an exactly corresponding depletion and insufficiency. The creative force of Nature itself and the energy of Man that goes with it to build up Wealth production in the strict sense, are both prospectively put under requisition to find satisfaction for the claims of the accumulation of Means. It has been shown in Chap. IV. how the stores of energy accumulated from solar heat in by-gone stages of the history of the earth, are in process of exhausting themselves, and for the benefit mainly of the "capitalists," those who already possess more than they should, by being converted into Means; and in Chap. VIII. how in another manner Man contrives to lay hold now of as much as he can of the Wealth that he expects hereafter to arise, as the result of the productive labour of unborn generations. The present is ever eating the past and mortgaging the future. And this, after all, is essentially the evolutionary process, the intensification of which Herbert Spencer stood by and applauded. "Laissez-faire," says he, "All is for the best in the best possible of worlds. Let Nature have her head, and she shall produce for you a race of men capable of eating still more copiously of the past, and of

* *Ante*, p. 21.

discounting still more vigorously the future, if only the past and the future will continue to be good enough to continue yielding of their store"! But how this last postulate is to be fulfilled, we seek in vain to satisfy ourselves from the pages of any philosopher.

Were this all the objection to this scheme of unhindered evolution we should be compelled, though not without misgiving, to withhold our assent from the doctrine that economic wisdom lies in the way of passive acquiescence in the natural results of the evolution of society. But when one considers the problem, as one is bound to, from a national point of view, the peril of the blind acquiescence in the fate of a nation that must result from the free-play of evolutionary forces unhindered and uninfluenced by the collective will, becomes in some aspects terrifying. How, if a given nation turns out after all *not* to be naturally the fittest for its social and economic function, if the conditions of agriculture here, of industry there, and commerce in a third part of the earth's surface, come to be such, that in the struggle of competition these several nations lose ground? How, if this becomes a tendency, and intensifies itself in the direction of failure and obsolescence? Is the nation gladly to accept the sentence of extinction in the interests of the abstract future of "mankind" in which it is to have no part? Are no efforts of the people of a nation to be opposed to such a tendency, because, forsooth, it were "better for mankind in general," a part of the universal beneficent scheme, that the particular nation should dwindle and perish in order that a "fitter" should survive? Take a concrete example; Germany, for instance. That great and noble nation has on the whole neither the most fertile soil nor the most favourable climate for agriculture among the nations of the world. Her manufacturing industries are carried on under circumstances many of which tend to place her at a disadvantage with other nations. The situation and configuration of her scanty coast-line are such that without vigorous State effort and heavy contribution from national resources, her mercantile and commercial enterprise would be carried on at an obvious disadvantage as compared with those of such nations as Britain, the United States, or Japan. Her mineral resources are comparatively poor, when compared with those of the majority of other countries, and she is so placed in the centre of a continent, surrounded by foreign races, none of which are altogether

sympathetic, that her people are compelled to give freely of their Means and time and energy to satisfy the exigencies of self-defence, thus hampering themselves in the competition to produce. Not only in respect of enterprise in general but of each special department of enterprise, other countries are naturally favoured with more generous opportunity. Certainly it cannot be advanced that Germany has been so intrinsically favoured by the conditions of the struggle, that the natural evolution of social and economic causes there tends of itself to evolve the power to produce at the lowest cost or with the greatest efficiency. She is the greatest and most powerful of European nations, a great and prosperous centre of industry and controller of commerce, just because of the will and energy of a magnificent people guided by the unconquerable determination of a series of far-seeing patriotic statesmen, resolute to mould every institution and stimulate every industrial and commercial effort by the compelling power of the State. If Frederick and Stein, and Scharnhorst and Bismarck had been disciples of "Laissez aller," where would Germany have been to-day? And if a similar craven pusillanimity were to seize the peoples of the United Kingdom, what must be *our* outlook for the future? Therefore to the student of economics it seems that while the doctrine of evolution contains a true statement of certain tendencies which influence the ultimate fate of nations, it is fatal to any nation to be allured into an unresisting acquiescence in the blind results of natural social and economic evolution, or to dispense with constant strenuous efforts to control them by persistent collective action. The State must if needs be save the Man, and to do so must control his life. And a consciousness of this has led to a tendency to the opposite extreme of thought equally fallacious; the antagonistic thesis that the welfare of mankind is to be entirely ensured by State action, and that the will of the individual in every particular must be subordinated to the control and his destinies shaped at the discretion of an all-sufficing infallible centre of authority. Surely it is somewhere between the two that the way of safety must lie, and the true welfare of a nation. "Mankind" sane practical men will entirely leave to its own devices, and the hidden chances of a remote and impredictable future.

It is as well to enumerate more specifically the modes in which the organization of the State in the present phase of social

evolution has succeeded in moulding and controlling the twin economic processes of the production of Wealth and the acquisition of Means. The first place must be given to the apparatus of the law—the enforcement of contract, the compensation of civil wrongs, and above all the compulsion of the recalcitrant and the criminal. The true "contrat social" is no fantastic imaginary treaty between the State and the people whom it governs, but the consensus of the people of each nation and of the nations between themselves, to the enforcement of obligation. One is disposed rather to over- than to under- estimate the sacrosanct character of this universal obligation of fidelity. There are supreme vicissitudes in the life of a nation as of a man, when the inexorable necessity of self-preservation suspends the operation of municipal law, when it may be that some still deeper conscience may seem to justify breach of contract, the infliction of wrong, even the commission of what in the normal state of things would be reckoned crime. And, so far as the State is concerned, it assumes the right at its discretion to make its own conscience in such matters, and declare the occasions when it deems itself justified in proclaiming the extra-legal dictatorship of overwhelming necessity. The man, in like manner, reserves to himself the supreme ultimate prerogative of deciding whether he will obey or disobey the law of the State, prepared to encounter the consequences of disobedience in any cause which appears to him to justify the course. But putting aside these exceptional and supreme occasions, the normal course of nations and of men runs along the deep groove of legality. Setting aside questions of crime and violence, it will be seen that the collective will in this regard has expressed itself in two principles. One is, that within certain limits men may contract as they please, and the correlative is that, having so contracted, the law which is the force of the State shall hold them to their obligations.

Of course, both of these principles are subjected to many series of exceptions and qualifications. But so conditioned (and the conditions vary from time to time and from nation to nation) they constitute the essential basis of economic security, the raw material of confidence, the only possible guarantee of values, and the primary indispensable condition of all civilization. People exist (for the most part unhappy victims of the more maleficent despotisms) who protest even against this much of

collective compulsion, and clamour for the entire dissolution of society into its constituent elements. "Anarchists," who for the moment have more or less allied themselves, and in the uninformed popular mind are even confounded with the extreme wing of the "Collectivists"; those who, on the other hand, favour the entire absorption by the State of the individuality of the man in the sphere of economics, a *régime* of universal compulsion. This sinister alliance has come about, probably because the Anarchists, with the greater foresight, have perceived how inevitably the doctrines of the ultra-socialists must bring about in the long run the renunciation of all obedience, and the repudiation of all law, which are what they really aim at. There is no need to concern oneself with the despairing ferocities of these people. Of the rest, though some seek to modify the conditions of the enforcement of obligation, and others the conception of the obligations to be enforced, sane human beings concur in recognizing the enforcement of obligation in some form as the main and primary function of the government of mankind.

Next comes the influence of State action by way of the regulation of industry and commerce and finance. This to some extent is conscious and intentional; but to a far greater degree unforeseen and unintended, some by-result of conditions induced by laws and regulations framed for one object, but operating with a different and often antagonistic effect. Humanity impels you to introduce into your code, for instance, elaborate precautions against the over-exploitation of labour by capital. Admirable, salutary, the redemption of mankind from an ignoble slavery. Execrable, say economists of the Manchester school, because interfering with the free operation of cause and effect, and impeding the natural beneficence of the economic evolution of industry and commerce. And both sets of people are right at once. The result is one thing and the other at the same time. For you can only legislate within the bounds of your own country, and when you have compelled its acquiescence in your decrees, the tendency of such enterprise as can be most profitably carried on freed from your conditions, must inevitably be to transfer itself to some other State which exacts less by way of the protection of the worker. Whether, in the long run, the people of that country will be the gainers by this transference of industry and employment is quite another matter. As to this,

all that one can say is, that the question of degree and direction is essentially one of foresight and insight; but that there must be some State regulation of individual effort is recognized on all hands. Its degrees, its direction, are the responsibility of those who invoke it and apply it; and on them rests the future welfare of the citizen. It is to be remembered that when they make a blunder, their subjects will pay the penalty.

Next comes the huge subject of the State appropriation of the Means of the man, taxation, in its multifarious aspects. The next three chapters are devoted to this subject, a thorny and intricate one, dealing with the most immediately potent of all the modes in which the will of the collective organism exerts its influence on the fate of its people, the incidence and the effect of the toll it takes from them in return for the privilege of its protection. And this too is a department of State action effective rather by virtue of its undesigned than of its purposed results; so much so, that it constantly happens that some device of taxation adopted with the intention of fostering some particular industry, really has the result of impeding or even destroying it; this, with reason, being one of the valid arguments which Free Trade people oppose to the conceptions of "Protection."

It is simply impossible, within the necessary limits of these chapters, to elaborate the idea, though some reference will be made to it in Chaps. XIII.—XV. incl. Here again, scientific appreciation is in its first infancy. Certain things have happened in certain countries, under the influence of a certain number of conditions, some of which are known, others unrecorded, many not even guessed at. Therefore, if you please, the same things are going to happen in another country, at another time, under the impulse of a certain number of more or less identical factors to those which were observed in the first case, and also of other unnoticed factors which may be similar or contrary. Thus men are apt to reason. But almost always the prognosis is falsified, because you have ignored main factors of the problem: it may be that essentially antagonistic factors, which you are ignoring, will directly reverse your results. In these regards, it is to be feared that statesmanship is as empirical as politics. The only object of either seems to be the attainment of an immediately realizable expediency, the one from the higher motive of the general welfare, the other from that of a less admirable striving for personal power.

The distinction between the taxation of the State and that of the locality is mainly verbal. If, for certain collective purposes, a proportion of my Means is demanded of me, under the sanction of the general law, it matters little to me into whose hands it is to be paid, and what particular authority, central or locally delegated, it is which collects it, or by whom and for what particular purpose it is to be expended. The accident of an accident, the utterly uncontemplated result of an isolated bit of legislation of the days of Queen Elizabeth, imposed, for instance (for the purpose of insuring to agriculturists a sufficient supply of labour on the cheapest possible terms) on the people of each tiny "parish" in England, the legal duty of undertaking the functions of benevolence, which in pre-Reformation days was the province of the clergy in their abbeys and monasteries, working on the means of men by invoking spiritual motives. For without some such provision the workers would have been starved off the land. It was this devolution of authority for a particular purpose which gradually and almost insensibly led to the establishment of local organizations of government with financial powers of their own, exercising functions of administration for a great variety of purposes, which, as it was expressed, were "thrown on to the rates."

The writer does not by any means commit himself to the absurd assertion that the municipal institutions of England were the outcome of the "poor law." Of course, the essential fact is that municipal organization is as old as civilization in Europe, and is the primary differentiation of society from which the conception of the State ultimately evolved by a corresponding integration. And in fact it everywhere occurs, as in England, that a contrary process sets in, and the moment for this inevitably arrives as soon as the conception of the nation has finished building itself up out of its constituent smaller and local organizations. In England the days of the first Tudor witnessed the first complete conception of England as a nation, and under his successors, towards the end of the sixteenth century, the reverse process of devolution set in. The State, having absorbed into itself the powers which before the days of the first Tudor were distributed among local chieftains, municipalities, guilds, and other corporate entities, contrivances of the middle ages for keeping the peace and controlling the citizen, proceeded under Elizabeth gradually and necessarily to re-distribute and

re-devolve its authority among such of those as survived, and such others as it had to create to succeed to the functions of those which had passed away. And to the historian, this is the most fateful and pregnant of all the ages of the history of the nation. And thus it is that the ancient as well as the modern local authorities have now, by devolution of power, come to participate in the power of levying taxation, bit by bit, and occasion by occasion, for the purpose of keeping up the increasingly complex contrivances adopted from time to time for the promotion of the convenience of the people. In this way have been developed the existing organisms administering the modern multiplicity of appliances of service, protection, and regulation.

And in the duty of directing these, the people of each little locality and of each group of localities are called on to exercise personal effort, govern themselves, and eventually to federate, and reweave the fabric of society into a fresh network and pattern of authorities. This "local" self-government becomes a regulated orderly principle of service, essentially by delegation of power from the central authority, and has its own set of virtues, its own serious defects and shortcomings. The day was when this outcome of "free institutions" was universally hailed as a series of triumphs for "liberty," and made the subject of platitudinous eulogy at municipal banquets: we look on it now as an inevitable natural phenomenon of the social organism, no more to be made an object of flattery than the law of gravitation itself. In one way it is welcome to all; men reasonably prefer to govern themselves rather than that some central authority should govern them, even though they may have some voice in appointing that central authority; while what they still more dearly love is the opportunity to govern others. By the exercise of this function in the more conspicuous and important councils of government man indulges his passion for power and personal distinction; while the more modest and obscure the "board" to act on which he is selected, the safer and more constant his opportunity for deriving pecuniary profit from the performance of his duties.

The Senate of the United States is a more dignified and important body than the Legislature of the State of Pennsylvania, and this, than the municipality of Pittsburg; and the facilities for personal corruption enjoyed by members of these organs of State action are in inverse proportion to the dignity and importance of the membership of each respectively. An influential

deceased member of the first august body is said in his lifetime to have controlled the action of the second, and been the absolute master and owner of the third; and it was, says Mr. Sinclair,* in this last capacity that he found the most excellent opportunity of satisfying his appetite for gain.

Now the progressive extension of the machinery of government is not by any means in the way of a true extension of liberty. On the contrary, it is at every point a strengthening of authority and a limitation on the free action of the individual, an encroachment on his independence. Mr. Mill perceived this fully. He points out† that all government, all constraint, is essentially in the nature of an evil, submitted to by mankind in preference to the greater evil of a chaotic lack of organization. It is so much the lesser evil of the two, that by contrast with the result of its absence it assumes the guise of a blessing. Mr. Spencer strove to minimize constraint on the individual will, and grudged the extension of the organized force of society to any purpose beyond that of the mere enforcement of law, the protection of property and life, and the maintenance of order. His faith in the curative virtues of evolution and the beauty of the inevitable emergence of the fittest, led him to protest against each fresh extension of power and of its sphere of activity, which the public Will chooses to attribute to the State or the municipality. "Vox clamantis in deserto." His is a way of looking at things which finds no acceptance in the trend of modern thought; nevertheless towards this protesting individualism there must be, and assuredly there ought to be, from time to time a series of reversions of sentiment, as men come to find the chains heavier and the network of authority more and more intricate.

The pessimism of the Anarchist brings him into line with the optimistic individualist, and he boldly advocates the abrogation of all authority whatever, and ultimately (Mr. E. Carpenter to wit) the abandonment of the efforts of civilization as a hopeless failure.

In defiance of all theory, Man goes on governing more and being more governed from year to year. Even the old-fashioned statesman is to be heard now and then emitting such sentiments as this:—"We are all Socialists now," said Sir William Harcourt; "the only difference between us is what form our socialism is

* "Industrial Republic," Chap. V.
† "Essay on Liberty," Introductory Chapter, p. 17.

to assume." He meant by "Socialists" devisers of additional institutions of government, advocates for the assumption of further occasions of interference with the will of the Man, makers and forgers of chains and contrivers of regulations rules and "bye-laws" to compel other people to act as we ourselves think most in the collective interest. There is a constant striving to induce the State to derive a legislative impulse from the efforts of benevolent associations of individuals, each advocating its own legislative nostrum: and the passion for additional regulation grows on people, who constantly clamour for fresh laws forbidding this and that which they personally dislike. The writer calls to mind a certain Earl of Mayo, who somewhere in the fifties spent his life in agitating for legislative prohibition of the use of tobacco. This manner of lunacy is common and catching; and it is well that here and there recalcitrants are to be found, protestants against this conception of a tyrannical State catholicity.

Attention has already been called to the function both of the State and its delegated authorities, of contracting obligations in the form of debt. The indebtedness of an individual is a mere momentary affair. It is limited as to its duration and security by the life and the Means of the individual. A man can get into debt to the full extent to which anybody is willing to trust him; but he obviously cannot pay beyond the amount that he possesses. When his life comes to an end, or he is declared a bankrupt, his property is appropriated in the first place to the satisfaction of his debts, and in so far as it is insufficient his creditors will remain unsatisfied. When he becomes incorporated, with "perpetual succession," his liabilities pass to his successors, but again they are limited (it may be far too strictly) by the terms of the legalization of the incorporation, and all the world knows that beyond the means of the particular society or company apart from that of its constituent members, there is no fund of solvency. All these forms of indebtedness, therefore, are entirely limited in their incidence and duration. The acceptance of such promises to pay is one of the ordinary hazards of "Commerce," their permanence more or less ephemeral, and practically co-extensive only with the profit-producing capacity of the enterprise for which they are incurred. There are, no doubt, in some countries, certain enterprises carried on by associations of private individuals to provide services of which the community is by comparison

permanently compelled to avail itself for reward; and these assume accordingly a relatively permanent potency of reproductiveness; and the confidence in such an adventure, and therefore the "value" of participation in it, its shares and securities, is correspondingly enhanced by the general belief in the persistence of its profit-bearing attributes. Such for example, one which bidding fair to continue a profitable investment until such time as aerial navigation shall have been perfected to supersede maritime effort, exists in the form of the enterprise of the Suez Canal. So again, the great railways of a country may possibly preserve their utility and productivity for quite a respectable interval of time; possibly even, in the absence of some fresh invention of means of locomotion, till the country relapses, its prosperity and activity decline, and fewer men desire to travel or have occasion to expedite goods in it. But all private ventures tend sooner or later to come to nought, and the tax any one of them can lay on posterity is in every case limited by the duration of the profitable utility of each.

With respect to the indebtedness of the State and its subsidiary municipal organisms, however, there is no such ostensible limit to the perpetuity of the incidence of its obligations. The people who incur the debts pretend, as a matter of course, that their descendants will hold themselves bound to go on discharging them in *sæcula sæculorum*. Some physicists would have us believe that this planet is cooling in space, and will by degrees become uninhabitable. And some publicists seem to fancy that the last surviving Briton shall be frozen to death in the very act of paying himself the quarterly dividends on his remaining total of "British Consols," and that not till then will the "national liability" lapse. As a matter of fact, of course, we know full well that each State will continue to discharge its obligations for just as long as it continues to find that course expedient, and no longer. We no longer compel solvency on nations by force or threats of force. Elementary morality has begun to recoil from the wickedness of employing the armed force of a nation to collect by warfare from people in other nations debts due by them to its citizens, who have chosen to invest their means on insufficient security.*

* Though, by the way, even as late as December, 1902, the writer of these pages found himself sitting as a prize-court, to dispose of the fate of the entire naval and mercantile marine of the independent State of Venezuela, the ships having been

The uncontrolled will of each nation must determine the duration of its obligations, nor can any nation continue to give effect to even the most scrupulously punctilious will to pay, for one instant after its power to pay has become exhausted. "Sunt certi denique fines," even to the perpetuity of national obligation.

In the meantime, the heaping up of these obligations continues merrily, and is one of the chief ways in which the action of the State influences the economic phenomena of its citizens and of the world, furnishing acquisitiveness with a most obvious and powerful international means of exercising its function and satisfying its desire, by recurring opportunities of "investment" of profits, in the purchase of promises that futurity shall pay.

To the consideration of the State in the aspect of an engine of benevolence, a special chapter must be devoted (XVII.). The exercise of this function assumes economic importance in many ways as a controlling influence, on the welfare of the worker, and therefore on the conditions of both industrial production and commercial consumption. Part of the fair and necessary wage of industry consists of the necessary provision for the worker at the times when his power of production is impaired by the vicissitudes of illness, or the advance of age; or when a lack of the opportunity of employment may prevent him from acquiring the means of subsistence. In some shape or another this is part of the wage due to him. To what extent it is legitimate or useful that the indispensable machinery to provide this should be put into the hands of the State or Municipality, instead of being left in those of the provident institutions of the labouring classes themselves, or, on the other hand, entrusted to the benevolent agency of philanthropic institutions supported by the means of the more wealthy, is a wide and difficult subject, complicated by considerations of many obscurely interacting tendencies. In these chapters it would be impossible to develop this thesis, the very rudimentary conceptions of which have been as yet most inadequately formulated. But inasmuch as nothing lies nearer the vital centre of a nation's being than the welfare of its workers, this of all is the one problem which most urgently needs

forcibly taken possession of in the course of a little war begun for just such a purpose by three great Powers! With a tardy sense of shame, stimulated perhaps by amazed remonstrances from Washington, this war was brought to a sudden and ignominious conclusion. It is pretty safe to predict that such an experience will never recur in any quarter of the globe. Some little sense of decency will, it is hoped, in future regulate the conduct of powerful States in this regard.

that the best thinking power of the people should be devoted to its solution, freed, if such a thing could be managed, from considerations of the personal aggrandisement of this or that set of politicians. "First principles," springing Minerva-like from the brain of the philosopher, must also in such an investigation prove calamitous, and be sternly rejected. The way of salvation lies along the difficult path of statistical analysis and patient observation.

There remain to be noted the economic results of State action which arise from the efforts of the State as a whole to influence the commercial and industrial activities of other States and their populations. The handiest tool for effecting such purposes is the taxation of imports.

Diplomatic negotiation is an entirely different mode of the exertion of the national purpose. This, it is clear, must be based on promises and threats, acting on the hopes of each community to acquire for the products of its own industry access to the markets of another, and the fear of being shut out from markets already existing. Mr. Upton Sinclair, in his very interesting book "The Industrial Republic," goes so far as to say that war and threats of war arise entirely from economic pressure for opportunities of commercial profit-making (pp. 56, 57) and on the whole it is difficult to avoid the conviction that in this respect he is right.* War is in itself a potent economic factor apart

* The Dean Swift (de l'académie francaise) of the twentieth century puts this apprehension in his characteristically mordant pages (Anatole France, "L'Ile des Pingouins," p. 177 *seq.*) in words which it is impossible to avoid quoting. He brings his Gulliver, "Obnubile" to the great country of "New Atlantis," the greatest of the democracies, and introduces him (under the guidance of an interpreter) to the Senate; where he hears the report presented of certain wars which have been successfully undertaken "pour l'ouverture des marchés" against recalcitrant nationalities who had refused to admit New Atlantic products on fair terms, and then—(adequate translation is hopeless):

"A ce moment, un gros homme, qui siègeait au centre de l'Assemblée monta la tribune.

"'Je réclame, dit-il, une guerre contre le gouvernement de la république d'Emeraude, qui dispute insolemment à nos porcs l'hégémonie des jambons et des saucissons sur tous les marchés de l'univers.'

"'Qu'est-ce que ce législateur?' demanda le docteur Obnubile.

"'C'est un marchand de cochons.'

"'Il n'y a pas d'opposition?' dit le président. 'Je mets la proposition aux voix.'"

La guerre contre la république d'Emeraude fut votée à mains levées à une très forte majorité.

"'Comment?' dit Obnubile à l'interprète; 'vous avez voté une guerre avec cette rapidite et cette indifference!'

"'Oh! c'est une guerre sans importance, qui coûtera à peine huit millions de dollars.'

"'Et des hommes. . . .'

"'Les hommes sort compris dans les huit millions de dollars.'"

from the ultimate results to obtain which it is resorted to. The immense consumption and restricted production of a nation in a state of war, sets flowing and keeps up for a long time a mighty current of industrial production from other lands towards the country engaged in the struggle. Mr. Sinclair expresses the conviction that the war between Japan and Russia had for one result the saving of American industrialism for the time being from the effects of an inordinate over-production in excess of the normal commercial demand, and of the sinister over-accumulation of Means in the hands of powerful and unscrupulous speculators; and here too, it appears that there is sound foundation for his conclusion. A time of war is the time when the belligerent nation is working hard exchanging into commodities, not only all its available means, but as much more as it can succeed in persuading the capitalists of other countries to lend to it on the chance of repayment out of its future earnings. And with regard to the industry and commerce of the United Kingdom, nothing stands out clearer in statistics than the gigantic impulse which the production of Wealth and the accumulation of Means here experienced as the immediate result of the Franco-German war. From this point of view, in truth, there is "something in the misfortunes of our friends not altogether unwelcome," and this consideration will weigh, as its truth comes to be more generally appreciated, with increasing force to determine the general will of nations in the direction of peace. A nation's engaging in warfare not only impoverishes it for the time being but prospectively. War is the direct means of enhancing the expansion at the expense of people engaging in it, of the commercial prosperity of their industrial rivals.

But by far the greater influence that one nation can exert on the welfare of another is that of competitive production. Wars and treaties are made and are forgotten. The individual wills which provoke them and bring them about, disappear and are replaced by conflicting purposes and motives of other men and by other ambitions and tendencies. There have been decisive wars, but they have been rare, and Creasy's "decisive battles of history" is a catalogue from which by far the greater number of instances given may well be expunged, most of the military and naval victories being after all only exceptional developments by force, of natural causes underlying the conflicts, and which, had the event of any particular battle chanced otherwise, must still

have worked out inevitably to the same ultimate result in other ways. The industrial evolution of a nation is its competitive force; the essential and compelling factor of its place and rank among the nations—the instrument by which it affects the fates of its competitors and which must ultimately determine its own place and function in the economic organism of the world.

CHAPTER XIII

TAXATION (DIRECT)

The claim of the State on the means of the man is enforced by taxation, and the writers of text-books draw a broad distinction between that which they call direct and indirect taxation. It has been thought convenient to follow the accepted method of treatment, and treat separately of these two aspects of one and the same thing. But like all categories into which human actions and institutions are artificially classed for the purpose of analysis, the distinction between the two is vague and indeterminate in the extreme. From one point of view it is clear that there is no real difference between the two exactions, nor can the dividing line be scientifically indicated by any sort of definition. The contribution that is levied on a man by the State in the act of buying his beer or his tobacco, for instance, is classed as "indirect" taxation. When he pays it as part of the rent for the occupations of the space and shelter in which he and his family exist, the doctors dub it "direct" taxation. In either case he contributes it equally out of his means, feels its equally, and the effect on his economic status is identical. One part of the taxation which he pays is collected by the central State, and is called "Imperial" taxation. But for all practical purposes as far as the individual is concerned, this is identical with the slightly greater part which for a variety of purposes is in this country confiscated from him by locally delegated embodiments of governing power, and which is termed "local" taxation. Therefore we have to beware, in dealing with this subject, of all generalizations, and indeed what is called the "ultimate incidence" of all taxation alike, Imperial and local, direct, and indirect, becomes, as will be seen in the course of this and the three following chapters, a question of such intricacy and doubt, that though it is easy enough to indicate the people who directly pay and the authorities which directly receive, it is impossible to ascertain by applying any fixed set of rules at all who it is that really bears the

burthen of any tax whatever. The utmost that can be said is that there are instances (such as the income tax), in which the main weight of a particular sort of taxation appears to fall directly on those who contribute in the first instance—the actual payers; while there are other taxes as to which it is impossible to say at whose expense in the long run they are really levied, and in what proportion. The most direct tax will have its indirect effect on the welfare of classes quite other than that which pays it; and the typical indirect taxation by import duties has, in spite of all theory to the contrary, its own direct burthen on the particular class of importers from whom it is collected in the first instance.

Taxation needs chapters to itself. As the network of government extends and its functions multiply, so, in a more than simple ratio is extended and intensified the claim which its organization must necessarily enforce on the Means of the people of the country. Not only must the available Wealth (in the strict sense) of the citizens be in an increasing degree devoted to the attainment of the purposes undertaken by the State, but the direction and carrying out of those purposes has to be confided to a constantly increasing army of administrators and officials, whose livelihood and welfare must in like manner be provided for out of taxation. The more intricate and far-reaching the laws and regulations, the greater the army of judges and officers, ministers, inspectors, commissioners, policemen, and other persons whom you must employ to enforce them; and each fresh prohibition or regulation adds to this army by calling into existence a fresh staff of officials to enforce it. In like manner the exigencies of national defence and offence keep on calling, not only for greater expenditure on the material necessities for warfare, but for the absorption temporarily or permanently into the official *personnel*, of an increasing proportion of the available energy of the people, and of the Means that must be devoted to the reward of the energy so applied. And so, again, with the increasing efforts in the direction of the alleviation of poverty and distress. Not only must the Means of the people of the nation be increasingly diverted to necessary purposes of benevolence, but if and so far as the State elects to undertake the duty, the administration of those Means must be taken away from voluntary effort, and confided to a fresh army of officials to be provided for out of the national resources. Nor is it possible, as some people imagine it to be, to economize

beyond a very limited extent by starving one set of services in order to expend more in the performance of the others.

In many modern States there is, outside of this direct and ostensible appropriation of Means, an intricate and illicit machinery of exaction, to satisfy the acquisitiveness of those who are employed to govern; which is corruption, the cost of the purchase of immunity for crime and vice and for the infraction of regulations, of bribes to legislators, the expensive corruption of the judiciary, and other great expenditure of Means in pursuit of dishonesty; all these are, so to say, so many predatory fingers in the till of the national Wealth and Means. Such, again, are the outcome of the exercise of opportunities for ingenious embezzlement, "graft" and "boodle," as they are termed in the great country which has witnessed their highest perfection; such, the allocation for purposes of corruption of contracts at nefariously inflated prices, a practice not unknown to municipal authorities in another and less progressive land, or fat bribes to those in power, exacted from favoured concessionaries of monopoly; and the countless other forms in which personal dishonesty finds its account in the exploitation of the opportunities of authority.

And these, by comparison, are but petty pilferings from the national store of Means; for a much bigger engine of waste, and far more disastrous in its outcome, gets a-working when bribery and corruption take the form of the political demoralization of classes, and when each man who seeks to participate in the control and direction of the national purpose, holds out ostentatiously as an inducement to his supporters and partisans, that he is prepared to exercise the power he solicits at their hands to further their local or class interests, to the detriment, if need be, of the collective welfare of the bulk of the nation. And when competing political parties sink to bidding for power by appeals to the collective acquisitiveness of particular classes of the citizens, political dishonesty of this sort becomes blatant and unashamed. In the United Kingdom a candidate for Parliament may be subjected to severe personal penalties for giving a glass of beer to the individual elector. But he incurs not even disapprobation for promising to promote special legislation, or to bring pressure to bear on those who have the public purse-strings under their control, to induce a profitable flow of money towards *his* constituency, or some particular industry in it, at the

expense of the general interests of the country. He may not bribe the individual elector; but he is allowed openly to promise relief of some particular taxation which presses on a particular trade in the constituency. He may offer almost anything he likes with a view to corrupting his "electorate" provided they believe that he will have sufficient influence to make his offer good. This is the heavy price which some nations have to pay for "democratic" institutions. Into this subject, it is not proposed to enter further. Some day a code of political ethics may be attempted, and to such a treatise these matters must be relegated, though they have a grave bearing on economic problems. They are a heavy item in the cost of governing.

The portion of the Means of the citizens which is directly and ostensibly requisitioned by the State in the way of taxation, the limits to which it is possible or expedient to push it, and the comparison of the several methods by recourse to which it is possible to exact it,—these are legitimate subjects of economics; and it is these with which it is proposed to deal in these three chapters.

The possibilities of taxation are not very varied; not reckoning in the cruder methods of Eastern despots, who when they find a subject attractively wealthy, cast him into prison and appropriate his store, or such devices as the extortive dentistry said to have been practised by King John, there are six known practical ways in which the State can help itself to what it wants: a poll-tax, an income-tax, the total or partial appropriation of land and its rents, a greater or less participation in inheritance and succession, all of which are modes of "direct" taxation; and the imposition of duties on the import and export of commodities, or by way of internal "excise," which are called "indirect taxation." And then there is the resource of State borrowing, the taxation of the future, which is elsewhere considered. Certain other petty devices may be made to yield a trifle and help to balance the sheet, such as licence-fees, which are a sort of class poll-tax, and the taxation of business transactions by imposing stamp duties on the evidences of them; a form of exaction which unless limited to the smallest possible fee for formal registration, is mischievous and vexatious, being a hindrance to and tax upon legitimate commercial transactions. Excessive taxation on the transfer of land, whether collected by the State in the form of stamp duties, or sanctioned by law in

the shape of excessive fees to those employed to carry through the simple steps needful to effectuate it, is also wasteful and mischievous, taking heavy toll on transactions which ought to be made as inexpensive as possible, if it is a legitimate object that people should be encouraged to extend their industry to the cultivation or other business occupation of the land.

Among State resources has to be reckoned in the income from domains, and from investments of Means derived from bygone taxation in the way of the provision of building roads and other contrivances for the rendering of services of transportation and the like, for availing themselves of which, members of the public who benefit can justly be called upon to pay. This income of State property, though derived from what has been originally acquired by taxation in some form, is not in itself taxation at all, and may be left out of the account. The modes above indicated, practically exhaust its power to appropriate the Means of its subjects. It will be convenient to deal with direct taxation in this and the next chapter, leaving the difficult subject of indirect taxation to be dealt with in the sixteenth.

In poll-tax are included all those exactions of Means or energy levied on the individual as such, to a fixed extent irrespective of the amount of his Means and his capacity to bear the burden. A poll-tax is therefore essentially "unjust" and is in some respects the most unscientific and oppressive of all. So much so that in its naked crudity it is seldom now resorted to among civilized nations in their taxation of themselves. But in more or less speciously disguised forms, it enters to some extent into all government systems; especially in the continent of Europe. In what other light, for instance, can be regarded the national obligation of compulsory military service, without the imposition of which on every able-bodied citizen within certain ages, modern military powers would be unable to withstand the pressure of the force of their rivals? That each man owes personal service for the necessary minimum of years or months to the State whose organization enables him to live, appears to the modern Italian or Frenchman or German so obvious a truism, that the obligation of military service is one which is submitted to with almost universal assent, though not quite ungrudgingly. But this is nothing more nor less than a poll-tax—the appropriation by the State of so much of the time of each citizen, which would otherwise be the source to him of Means, by the use of

which he would otherwise be able to provide for his needs, and at a crucial time of his existence lay the material foundation for a future career. In no country is this conscription more regularly enforced or more cheerfully submitted to than in Switzerland—Nature's battle-ground of Europe, enclosed between four great empires for which its mountains afford the obvious route, across which each would, were not the Switzers resolute to oppose their every man to the march, naturally advance in wartime to the attack of any other. In that country therefore the people feel the need of constant preparation for war as the only possible method of assuring a permanent peace.

The economic working of every tax of this nature, whether paid in service, or, (by way of ransom for exemption,) in Means, is *pro tanto* to lessen the competitive productivity of the people of the nation. Alone among great civilized States, the United Kingdom and the American Union are free from the necessity of this contribution. In the former case the freedom is purchased at the price of so huge an outlay on naval defence and the expensive hire of a "voluntary" army, both of which must be provided from other sources of taxation, that the economic potency is correspondingly crippled by its exaction, to an extent almost equal to what it would have to submit to, were the obligation to compulsory military service substituted. Therefore it seems that the productive efficiency of this nation in competition with others, is in this respect balanced. One country has undoubtedly reaped from its immunity from general service a great productive potency. Though some thinkers consider this advantage of the North American Republic to have been dearly bought at the price of a loss of the training in practical as distinguished from merely sentimental patriotism which arises from the exercise of this duty of a nation's youth, equally obligatory on all classes of its citizens.

Modified poll-taxes of a somewhat vexatious and petty sort are exacted in the United Kingdom and other European communities from particular classes; payment, that is, not proportioned to the gains or Means of the subject; such as licences at fixed rates for the carrying on of a particular trade or occupation irrespective of its profitableness, or again, minute exactions from persons possessing Means, such as the silly assessed taxes on the keeping of menservants in the United Kingdom, the only practical effect of which is to discourage the

employment of men of the poorer classes ; or again, a minute tax on " armorial bearings," which penalises persons who dignify themselves, whether rich or poor, by bearing devices by which they love to pretend that their ancestry distinguished themselves for the purpose of recognition in the field in ancient days; a harmless vanity that might well be left unmeddled with, and does not necessarily import either wealth or luxury, or even aristocratic descent. But these have no particular economic effect, and may be passed over, except as examples of a petty and futile exactiveness.

A more effective form of poll-tax and probably less defensible, is the simpler one which so-called " civilized " nations have a way of imposing in their colonial possessions, on the less advanced races subject to their sway. The compulsory labour abolished in Egypt and in full operation in the Congo State is probably the most reprehensible of all these; but it was run pretty close by such devices as a " hut-tax " in Sierra Leone, justified on the ground that it was " beneficial " that the native subjects should find themselves compelled to incur the primeval curse of labour in order to find the Means to pay ! The morality of this conception of national prerogative possesses a humorous absurdity of selfishness, which it would be difficult to equal. Something of the same sort has occurred in various parts of South Africa, justified by similar reasoning, and the despotism of the Dutch Government in the Malay Archipelago draws no inconsiderable portion of the Means of Holland from the exploitation in this manner of the forced labour of its far-eastern subjects.*

Income-tax is a peculiarly British institution with its own set of consequences. No tax can be imposed, the incidence of which is ideally just, least of all a tax on incomes. Any two men may have the same nominal income; no two can be said to be subject to exactly the same necessities. The one will always have greater or less need than the other, and therefore a less or greater surplus to take toll from after providing for those needs. The income of the one may be transitory and of another more or less permanent, the Wealth obtainable for the moment by him by the transmutation of Means into commodities and therefore the amount left over after the physical needs of the family are

* The so-called " independent provinces " of southern Java, afford some examples of the abuse of the corvée, which would serve to point several morals of corruption, were the actual facts generally known of what goes on in the " sultanates " of Solor and Djocdja.

satisfied, constantly increasing or diminishing, and in all cases unequally.

Not only the constant fluctuations of the abundance or scarcity of gold and money, but many other considerations intervene, to make a given sum levied from a given income at a particular time from A. more or less of a burden as compared with the exaction of the same sum from the same income of B. And absolute equity is unattainable.*

A large question is involved in the conception of a "graduated" income-tax, adjusted so as to rise not merely in amount but in scale according to the amount of income, so that Means obviously in excess of reasonable requirements should contribute increasingly towards the needs of the community. Professor Fawcett decided against this proposal. His objection to it was that it was an unwise penalizing of success. The effect would be, according to him, to check in the country that adopted it, the accumulation of Means, by removing *pro tanto* the "incentive" to the thrift of the wealthier, out of which Capital arises, which is the chief necessity for economic progress. The present writer takes leave to doubt if this is really so formidable an objection to the proposed equalization of the fortunes of men as at first sight appears. If there is an incentive to a given man sufficient to induce him to exercise his thrift and skill so as to accumulate additional Means at the rate say, of £100,000 a year, his motive to satisfy by continued thrift and foresight this passion and instinct of enrichment, would not be sensibly diminished by lessening the ultimate reward to a reasonable extent. If the income-tax on his annual surplus were so graduated as to afford him the opportunity of accumulating only ninety thousand, assuredly he would not therefore stop. It seems that there is a craving for

* Fawcett, "Manual of Political Economy," Book IV., Chap. II., p. 543 *seq.* Professor Fawcett, who insisted on this truth, devoted much careful arithmetic, in his valuable manual of political economy, pp. 527 to 546, to the analysis of the incidence of income-tax. He demonstrates that if an income-tax could be made uniform in amount and permanent, there would be no injustice in taxing temporary at the same rate as permanent incomes. Obviously not, because while the incidence is identical for the time, the contribution of the temporary possessor will be temporary only and that of his more fortunate brother more permanent. This accurate and dispassionate author is also absolutely right in pointing out, that before commencing to assess incomes for taxation it would be theoretically just to subtract from each in every case, even that of the wealthiest, a given average annual sum to represent as nearly as possible the annual cost of necessary subsistence; so that if the prescribed minimum were fixed at say £200, the possessor of an income of £250 would pay on £50 only, and the annual receiver of £10,000 would be assessed on £9,800. But this is a minute matter.

enrichment operating on the minds of a certain part of mankind, in some manner to others irrational and mysterious, which finds a grotesque satisfaction in the process of getting richer, apart from any gratification which increased Means can in themselves procure. This passion, it seems, in the given case its victim would continue to strive to indulge, even though so circumscribed by taxation as only to be able to satisfy it to the extent of the annual addition of a miserable sixty thousand to the heap of his Means. It is not in this way that the general interests of society would be appreciably endangered by any tendency to slacken accumulation as a consequence of the imposition of a graduated charge, nor is it after all so very obviously urgent that in a country where Means are largely held and many rich people are, there should always continue a great and increasing accumulation of the Means, which after all may or not be turned at the will of the possessors to reproductive purpose, and (see Chap. II., p. 35) thus become a part of the vague fluctuating instrument of production commonly described as "Capital."

There is no such thing as an infinite progressiveness, in any country, in the power of producing Wealth (*i.e.*, commodities susceptible of value) by constantly increasing the amount of Means employed in its production. The Wealth-production is inexorably limited by the available present demand, just as the Means accumulation, which is in the main a mere charge on the Wealth-production of the future, is similarly circumscribed in its effectiveness; depending for its realization on the productivity and therefore ultimately on the demand of the future. So it comes about, that but a small portion of that which is, so to say, automatically "laid by" out of Means, can, say in Britain, at the commencement of the twentieth century, or in any similar country that has, so to say, attained to its commercial majority, find any complete and adequate opportunity of beneficial employment as "Capital" in the country itself.* The

* The solution of this problem, were the necessary statistical elements attainable with anything like accuracy, would go far to resolve all those questions which concern the power of the nation to overcome the difficulties of poverty: it would bring about in fact the solution of the main social problem itself. Unfortunately here statistics fail. There would be no great difficulty in roughly ascertaining the pecuniary figure of the entire income of a people, for it bears a fairly constant relation to the total amount raised by taxation. Lord Avebury estimates the entire taxation of the United Kingdom at £260,000,000 per annum, £121,000,000 State, £139,000,000 local, and there is reason for holding the entire income to be as nearly as possible nine times that amount, or £2,340,000,000, but the total on the other side of the account, the expenditure on life as distinguished from mere senseless

surplus has to be spilt year by year, in buying up claims on the future industry of other nations, in those futile ventures of commercial enterprise which are called into existence annually to go into liquidation in the course of the following year, to a great and far more beneficial extent in works of benevolence, too often wasteful and ill-organized; while far more than should be goes in foolish and wearisome but on the whole not altogether maleficent luxury, which affords remunerative employment to that part of the labour of the country for which room cannot be found in the ranks of "productive" industry. Much is expended by no means without its own good result in amusement and the satisfaction of æsthetic tastes, and by other safety-valves and escape-pipes of great variety; so that somehow the excess becomes innocuously absorbed, and the extreme evils of over-capitalization are avoided. There is not now, and as far as one can see will never be, any permanent deficiency of Means in the world susceptible of being turned into Capital in any part of it; though it is clear enough, that there is manifested at times and among different nations a marked reluctance on the part of the possessors of Means so to convert them into "Capital"; at which times there comes about what is called a "scarcity of Capital," which is simply a symptom of a lack of confidence; a social and economic ailment closely analogous to those illnesses of weakness which in the human frame are classed as arising from a "defective circulation of the blood."

And this leads us naturally to the consideration of what will be seen to be the true objection to any exorbitant increase of taxation of incomes; especially to what is advocated by some in the way of a "progressive increase of taxation." For this in reality is but one instance of the difficulty of laying hold of Means which has been pointed out, and which has to be steadily

extravagance and wastefulness, there is no means of estimating even approximately. The difference between the two has been roughly estimated at between three and four hundred million pounds per annum. It ought to be ascertainable with greater accuracy, and here there is need of the ingenuity of the scientific statist, for the actual surplus obviously varies greatly from year to year. Next comes the question what proportion of this is on the average "invested abroad," which is still more variable and difficult to average. For the year 1907 this was stated at £70,000,000. For 1908, during which year for some reason the public confidence in the stability of British finance seems to have been temporarily shaken, there is no doubt that the sum of British contributions to foreign investment rose to £148,000,000. Last comes the vital question how much is left over capable of being taxed for public purposes; how much is somehow otherwise spilt, and ought to be collected in overflow channels and turned into fresh reservoirs of State-benevolence. See *post*, p. 349.

insisted on, as the real and insuperable obstacle to the realization of all collectivist and communistic devices whatever. This is the essential timidity and fugitiveness of all Means. This quality it is which imposes the real limit to the taxation of Means in the hands of its possessors. Beyond a certain point it is impossible to tax them, for they will disappear, flying always for employment, whether as Capital or as a part of the apparatus of life, to the country in the world in which the possessors hope to be subject to a lighter burden and enjoy greater security. An amusing example of this truth has been afforded within the few months immediately preceding the writing of this chapter (February, 1908); certain British companies carrying on lucrative industries abroad and numbering many foreigners amongst their shareholders, at one time found it convenient to have offices in London, whence their very large profits were distributed. And the occasion was taken, rather iniquitously, to subject those shareholders who were foreigners, and also their British associates, to an income-tax of five per cent., on the ground of the nationality and domicile of their concerns. Of course the escape from this extortion was a very simple affair for them. The offices were removed as soon as it was decided that the profits were legally taxable here, to other centres where power is less unconscientious or the needs of State-finance less urgent; Paris or Amsterdam, as the case may be. The industrial operations went on as before, their profits divided among the same shareholders as before; but by a stroke of the pen so much income, which had before been reckoned in as part of the income of the people of the United Kingdom, thus became, without any sort of transfer of shares or movement of Capital, a part of the profits of France or of Holland, by a simple change of address. The State was the loser by its too great greed. The people who collect the income-tax from British shareholders have now to go a-hunting with "schedules" and "returns" and other devices of inquisition, as best they can, in order to dip their pipkin into the buckets of the individual British participators, instead of simply fixing their pipe at the source itself from which the stream flows, as they did when able to assess the profits of the entire undertaking domiciled in Britain. Now this process of transfer is a simple one; and it, or something more or less analogous, will always keep on repeating itself at each fresh attempt to clasp the unseizable. Means being essentially international and

indefinitely interchangeable, it follows therefore that as soon as exaction reaches a point considered oppressive, "Capital," the enterprise and apparatus of manufacture, and Energy, its power and motive, will tend to transfer themselves to the land of the most profitable and secure production. So, likewise, will commerce and finance, which determine the localization of industry, and which unerringly direct the stream of Capital in the line of the least economic resistance; and the employment of labour must likewise migrate towards the locality of minimum exaction, and desert the country of oppressive taxation. If the civilized world were to turn simultaneously collectivist, some new haven of rest for Means would be secured in some hitherto uncivilized country, which would be rapidly turned into an Alsatia for proscribed "capitalism" and prosper accordingly; while on the contrary the country which first puts in practice the doctrine of the collectivist (the rest of the world remaining individualist), must inevitably be the first to find itself deprived of all forms of Means whatever, except in the useless shape of those commodities of "fixed Capital," as Adam Smith called it, which have already been irretrievably devoted in it to specific employment in production, and which for commercial purposes will thenceforth be valueless idle machinery, tenantless mills, deserted warehouses and unsaleable stock. This point is introduced here (though its real place would be in Chap. XVIII.) for the purpose of emphasizing the fact that there are very obvious limits to the possibilities of the imposition of income-tax; which are, those beyond which Means will refuse to remain to be taxed. Therefore deeply as thoughtful men are compelled to sympathize with those (among whom the writer must class himself) who deplore the actual concentration of what is commonly called Wealth but which consists entirely of Means, in the hands of a comparative few; and the disastrous and undoubtedly correlative poverty of the many; even those who long for some way to remedy the terrible inequalities of commercialism, if it were only possible, by some appropriation by the State of the unnecessary surpluses of the few to make good the deficiencies of the many, have to abandon the notion of forcible confiscation by taxation. So obviously is it impossible to escape the conclusion that the dream is destined to disappointment; or, to put it more appropriately to the purpose of the present chapter, that there is an insurmountable limit somewhere to the possibility of increasing the Means at the disposal of the

State for whatever purpose, either by general augmentation of the percentage of contribution from income, or by any special contrivance by way of a progressive enhancement according to the "Wealth" of the individual contributor.

Of course there are always two ways by which the State can tax the stream of Means to fill its cistern, either by seeking the source or by following the rills; and it has been found in practice, that it is by far easier and more efficient to follow the legal adage and adopt the former. Now Mr. Fawcett* has pointed out unanswerably, that to make a tax on incomes progressive in rate according to the amount of the fortune, this simple method of collection from the source must necessarily be abandoned, and each individual subjected to a rigorous inquisition into his income and all its sources, similar to that which in the United Kingdom he is now compelled to undergo in respect of his personal earnings in a business or profession. To the efficiency of this method of inquiry there is an obvious limit, as things are. Because, though each man may reasonably be asked to facilitate the inquisition into his personal earnings by keeping and producing simple cash books of receipt, the machinery that would have to be invented and the rigour with which it would have to be applied, in order to compel discovery from each fund-holder, stock-holder, share-holder and bond-holder of the amount of income invested by him or on his behalf, would be so oppressive as to induce a tendency towards the exodus of the wealthy and a withdrawal from the country of their purchasing-power, and of the demand which their presence thus creates, to other and less rigorous climes. Mr. Fawcett has also shown, that no complication of ingenious inquisition could be devised adequate to counteract the infinite opportunities of deception, concealment, and evasion in such cases; and it may be added, that the engine of torture would have to be applied to all men, honest and dishonest alike, and become so intolerable an oppression as to be impracticable, unless accompanied by a universal prohibition against the emigration of the well-to-do. Practically the thing is unthinkable, and must be dismissed as a mere chimera of the unpractical theorist. It is not in this way that the unnecessary Means of the over-opulent can be effectually taxed.

Similar considerations apply also to any financial scheme based upon the idea that an income-tax can be collected at an

* "Manual of Political Economy," Book IV., Chap. II., p. 561.

indefinitely increasing rate even without any discrimination of percentage against the more wealthy. In times of national stress and danger the exigencies of a common peril will for a year or two induce those who have incomes derived from "investment" to acquiesce in a temporary enhancement of their burden. But at all times the tendency of Means to escape from over-taxation, whether by concealment, by devices of inscription in the names of nominees or by emigration to foreign parts and the abandonment of a fixed domicile in the country of exaction, must combine to render a tax of this nature less and less proportionally productive the higher the rate at which it is assessed. Every additional one per cent. of contribution by way of income-tax beyond a certain point (which may perhaps be indicated in the United Kingdom as somewhere about the present rate of five per cent.), must lessen the productiveness, so to say, of each penny in the pound exacted; and with each increase beyond such a rate, a tendency must progressively occur for Means to find its way of escaping amercement altogether. And it will in the result be noted, that with two exceptions, every mode of taxation in turn has its own insurmountable limit of productivity; and that what is true of direct taxation in this regard, becomes, by the action of a different set of causes, still more obviously true of that taxation of commodities which is called "indirect," and which has to be dealt with further on.

Attention has been directed incidentally to that mode of direct taxation of the income of the individual which assumes the form of a rate levied on the annual value of his habitation. This is something by way of being intermediate between a "hut-tax" and an "income-tax." Inasmuch as the vast majority of human beings must have some fixed shelter wherein to lay their heads, they can be compelled to contribute according to their place in space, and each morsel of space can be scheduled for the purpose in a sort of huge scale map of taxation, from which, except for the outcasts who sleep under the hedges and in the parks, there is no escape for a human being. This impost therefore partakes of the comprehensiveness of the hut-tax; while in so far as it is roughly proportional to the presumable Means of the inhabitant, it becomes a sort of unscientifically adjusted and exceptionally oppressive income-tax, levied by far the most oppressively in truth on the poorest class, and admitting no exemption of indigence, for it can be cast in the first place on the owner or

occupier, leaving it for him to recoup himself from the tenant by way of rent, adjusted in amount to the rental of each house, a value which is in itself a fluctuating function of demand and supply. Therefore this basis of taxation is the most unscientific imaginable, pressing always most severely on those who dwell in the poorest and most over-crowded districts, where the demand for housing is the most keen; so that the lower down one gets in the scale of comfort, the more proportionately severe the burden of exaction from the citizen; and the more numerous his family, the more he has to pay.

And the impost has this additional and subtle cruelty, that those subjected to it, though they pay it with increasing difficulty, do not realize to whom they pay, and that the intolerable exaction of the State which expresses itself in the rates they have to pay, goes, not to the landlord who collects it in and with his rent and pays it over, but to the municipality, which pretends to be their servant, charged above all things with the care of their welfare. Nor does this exhaust the list of vices inherent in this mode of appropriating the State's share of the income of the individual, which is so much beloved by a certain school of economists; for not only the habitations of men but their places and possibilities of industry and employment are subject to the same device. The industrious producer is taxed twice over. Contribution is levied on the same bit of space by two engines of exaction at once; by the State, in the form of "income-tax" and "inhabited house duty"; and by the government of the locality in the more formidable form of "rates." But this really makes no difference to the sufferer, except that the latter and greater part of the contribution is levied by elected individuals less accessible on the whole to the deterrent influences of public opinion than State politicians, through officials less constrained by "service traditions" of probity than a State bureaucracy. Rates lend themselves more readily to the opportunities of dishonest plunder* which render necessary the employment of an army of inspectors and auditors employed by central authority, to detect and circumvent the reckless improvidence and the personal acquisitiveness of the delegated local administrators. But in its broad results, this form of taxation is equally oppressive whether employed by the central or the local authorities. One of the most pressing problems of

* *Ante*, p. 231

the day in this country is how to lessen the weight of "rates" on those least able to bear their burden; above all, how to struggle against the efforts to increase them that emanate from those politicians who specially pose as the friends of the indigent.

Now sufficient has been said * to indicate the danger of an improvident creation of municipal indebtedness. Each fresh emission of these securities involves its corresponding addition to the oppressive "rates" of the locality whose credit is most severely pledged. Such a system may be in operation for a long series of years, before the fact becomes realized that the burden of indebtedness is getting beyond the paying power of the locality. The interest on the debt will continue to be punctually and apparently automatically paid, till the breaking-point is reached, and Means have escaped to such an extent from employment in the over-weighted neighbourhood, gradually, insensibly, that at last there is not sufficient left on which to levy. As with States, so with their subordinate municipalities. No promise or mortgage is eternal; and though every promise to pay is ostensibly unconditional, nevertheless it postulates the possibility of payment, and the existence of a fund out of which it can be paid. It is a mere hasty generalization for any organization of men to flatter themselves that because for, say, fifty or even a hundred years they have continued to increase in riches and show a yearly augmentation of taxable capacity, therefore their solvency is subject to some eternal law of progressive augmentation. One can take a concrete instance from a district of England with which the writer happens to be familiar. A certain limited area of the Midland counties overlies the empty cubic space in which was once situated a seam of the finest coal, ten yards in depth; at the present moment all that is left of the huge and valuable deposit are a few crumbling "ribs and pillars," already insufficient to support the squalid flimsy houses which, propped up at varying angles from the perpendicular and in a more or less ruined condition, disgrace the surface. The inhabitants still continue to exercise as best they can the most grievously underpaid of all the forms of metallurgical industry, the output of which is steadily decreasing and the wages for which have already reached starvation level under the pitiless pressure of foreign competition: the

* *Ante*, pp. 29, 30.

making of wrought-iron nails and chains. Now, if in the place of the sad and squalid hamlets where these industries linger, there had happened to be built over what are now the chasms of the ten yards coal in Worcestershire and the adjacent parishes of Staffordshire a "progressive" city dependent on such a staple industry, and if its municipal authorities, in emulation of their neighbour Birmingham, had borrowed and expended generous sums on the provision of what at the time would have been imagined to be permanently "productive" public works, and thereby "created Wealth," as Mr. Shaw would put it, and generously put municipal securities on the market; from what source at this moment would they be able to draw the annual amount due to satisfy the claims of their creditors? And what would be true of this momentary development of a particular industry dependent upon a rapidly exhaustible source of Wealth, becomes more or less true in turn of each locality in every country and in the world in turn. Now it is not the impoverishment of the person who has chosen to lend his money on the security of such evidences of indebtedness that the economist troubles himself about: the investor of Means takes his risk and has to acquiesce in his vicissitudes without lamentation. The really terrible picture is that of those who suffer while the process of impoverishment is drawing towards its close, and who, desperately clinging to a reputation for solvency, are compelled to struggle to provide from steadily diminishing resources the increasingly oppressive payments needed to preserve their "financial respectability." "The greatest happiness of the greatest number" is quite a beautiful phrase, but the real problem of humanity should rather be described as that of finding some sort of escape from the extremes of indigence and misery for the mass of the people—the least suffering for such as are not past all help.

Now in this country a wise prudence is exercised by forbidding the incurring of any additional municipal indebtedness without State authorization; one of the conditions of which is due provision for the termination of the liability. You may borrow, say, for forty years, say for fifty or even sixty, but at the end of the time allowed the principal must have been paid off and the interest must cease. In countries where this safeguard is not enforced the risk of bankruptcy becomes a certainty, the only doubt being as to the precise moment when the inevitable shall

occur; a practical question of administration is whether even under the stringent conditions enforced by British legislation, sufficient care is taken against the overloading of the public back; for the opportunities for "local improvements" occur with an increasing frequency, and many public works represent themselves as prospectively remunerative and productive of income; which in reality* are mere devices for turning into one channel a flow of Means which previously followed another, and therefore add nothing to the total effective Wealth production of the community; which is what in the ultimate result has to provide everything. So that it occurs, even in the best guarded country, that the increase of indebtedness tends to proceed at a greater rate than can be secured by the provision for its progressive amortization. This of course is a question of detail, and the only practical suggestion lies in the direction of increased stringency and vigilance in the authorization of local "loans." It is probably less the utility of the proposed improvement or the momentary public opinion of its desirability, than the prospect of the locality's remaining able to afford the interest on its cost, that the inspectors who hold these inquiries should be instructed most carefully to investigate.

* *Ante*, p. 200.

CHAPTER XIV

TAXATION (DIRECT) (*continued*)

It is an interesting and vital question, to what extent it is expedient for the State to exercise its power to absorb Means in the act of their transmission from a deceased person to those who ask to be allowed to succeed him. Now British laws in this respect strike one as just and moderate in their two main features—the one which imposes a progressive duty in proportion to the remoteness of kinship of the successor to the testator or intestate, and the other, that by virtue of which the percentage of the inheritance claimed by the State rises in rate according to the amount of the net property left by the deceased. Into questions of figures and degrees it is not proposed to enter; but if equality and justice are to be followed it seems that landed property, which now pays a series of succession-duties of its own, should contribute to the same extent as other sorts, while in addition some further fine ought to be levied upon it to counterbalance the exceptional advantage of the durability of land, to prevent this from being a perpetuity.

It certainly appears that the British exactions on the inheritance of Means do not err on the side of severity, and would be susceptible at need of extension in certain directions without incurring any imputation of harshness. In no particular is this more apparent than in the laxity with which claims are admitted on the property of intestate persons. A man dies intestate, for instance, without direct descendants or any collateral relatives whom he is likely to have known or cared for. As far as regards any meritorious claim of his "next of kin" or "heir at law" the properties he has left are *bona vacantia*. Then up jumps an irrelevant person, and claims to succeed or participate, on the ground forsooth that he had a common ancestor with the deceased, say five generations back! Can any more fatuous absurdity be imagined than such a thing?

If in his account of the institutions of the country of "Laputa," Swift had described such a custom to a public not already inured to it, the absurdity would have afforded amusement as a whimsical

illustration of grotesque folly. Nor is the general recognition of the right of foolish and capricious testation any more worthy of respect than the claim of the remote kinsman's to succession *ab intestato*—say the "right" of the fifth cousin. Some silly old woman has a caprice for benefiting by her will a chance fellow-passenger in a railway who had handed down her bag to her on the platform and leaves him a great estate—such things have been known—What conceivable reason is there for humouring this whim? A certain justification of meritorious claim should be established to warrant the succession of any stranger in blood. Failing which, common sense suggests the sweeping of the whole property into the fiscus; and so with every similar exhibition of fatuity. The "inofficious testament," as the French law calls it, should be simply disregarded, and in default of claim of a certain degree of merit, the property should be claimed for the benefit of the nation. No meritorious person ought to suffer; but we have need of the values so squandered under the sanction of a silly law, for real and important purposes of State. Again; in Chap. XVIII. it will be seen what a dangerous practice it is to allow a free hand to testators to endow benevolent institutions without some limit of extent. This conduces at once to an absurd wastefulness, by reduplication of competing institutions*; and also to a noxious form of corruption; for a superfluous or over-endowed foundation rapidly becomes encrusted with parasitic growths of "jobbery." There should be a strict limit to the exercise of this device of posthumous benevolence.

It may be impossible to admit to participate in pecuniary benefaction only such charities as can be certified to be beneficent in their action. But at any rate beyond a certain proportion of his property on the whole, and beyond definite limits of amount in the case of each object of bounty, no testator should be allowed to deprive the State of property, to succeed to which there is no individual whom he reasonably desires to benefit or who may be adjudged to have a reasonably meritorious claim. The "pious founder" has in the long run proved in many cases a public nuisance. Spontaneous individual beneficent action in a man's lifetime is the most meritorious source of income of national

* In the tiny island of Hongkong, for instance, there has been a perfect epidemic of the founding of unnecessary hospitals which compete fiercely with each other for the infrequent patient. Excellent and beautifully appointed palaces of disease line the picturesque heights, mostly empty of patients and full of excellent doctors and charming nurses.

benevolent institutions. But yet benevolence must increasingly become a function of the State. Of the objects and purposes to which testators have been allowed to devote their wealth, some are actively mischievous; more are valueless; and others in due course become obsolete.* Meanwhile other uncared-for needs develop themselves and spring into prominence, entirely unanticipated and unprovided for, which cry loudly for the application of some such funds as those which are being wasted in deference to the will of some long deceased founder. No testator, however sane and well meaning, can possess the foresight and wisdom to anticipate for all time the real necessities of posterity, which may not develop for many years after his dispositions have been made, and for which the State has often from absolute necessity to provide the means of affording relief: a great and constantly increasing burthen, which should by rights be borne precisely out of those funds which the possessors of Means find no suitable personal recipient to bequeath to.

The proposals of the writer go to the following extent:—(1) Without increasing taxation on the successions of husbands, wives, and direct descendants, greatly to stiffen the rate on the succession of collaterals; rising to fifty per cent. at least in the case of strangers not occupying the position of personal dependants. This class may think themselves undeservedly fortunate if they are allowed to succeed to anything at all. Except as a sentimental concession to some principle of capricious and posthumous omnipotence, there is no conceivable reason why they should.

(2) A strict limit should be placed on what may be bequeathed for public or charitable purposes, both as to the proportion of the total property that may be so disposed of, and as to the amount that may be allowed to be taken by any one institution from any one estate. If a man really has greatly at heart the cause of any institution he should be at liberty to benefit it in his lifetime by transferring to it what he destines for it.

(3) As regards the tax on an estate as a whole, the contribution of the greater and more unwieldy fortunes may be subjected to some further relative increase, and the percentage on the transmission of excessive Means can be raised to a moderate extent. This operation, though, must stop short of the point at which

* Like the old institutions in London for redeeming persons sold into slavery in Barbary.

the yield of the taxation would be sensibly lessened; the point at which it would be met by the possessors evading posthumous amercement by going away to die elsewhere, taking their Means with them. The present scale, running up to twelve or thirteen per cent. in certain cases, provides a measure of contribution for excessive fortunes not quite adequate to what is reasonably due; and cases might be imagined at which even the greater part of a man's unnecessary Means were better held at the disposal of the Government of his country after his death.*

It seems that the best hope of a nation lies in the direction of dissipating at the termination of each life the over-accumulation of Means that the chances of enterprise have happened to heap on any individual. Over-accumulation by one has as its concomitant a correspondingly diminished purchasing power of the community, a hindrance to the general economic welfare. It is not that the Wealth of commodities, which is all the real Wealth which really exists, does actually follow the Means into one hand; no hand would be large enough; but that the absence of the Means of the poorer classes, which arises from their abstraction from the general fund into the pockets of the particularly over-wealthy man diminishes the general national power of absorbing commodities, the

* Let us take the example of the well-known American gentleman named Rockefeller, who has had the misfortune to appropriate a great part of the world's supply of mineral oil; to such an extent, that his life is a burden to him because of his riches, which expose him daily and hourly to the inquisitiveness of the readers of the more vulgar newspapers in a country in which vulgarity is not rigidly discountenanced. As far as is known, there is nothing to be said against the character of this gentleman. Some people even make a sort of hero of him because he is very rich! His family are believed to be excellent and praiseworthy citizens in every way; therefore nothing offensive to them is meant by the simple inquiry, what conceivable injury could be done to them or any of them, when the good gentleman departs to the place to which it will be impossible for him to transport his riches, if the share of each, say, in his lamentable over-accumulation were reduced by two-thirds? Is there any conceivable human want of any one of these excellent people which he would be unable to gratify with the balance? Or, if it happens that Mr. Rockefeller cherishes an ambition of founding some gigantic and benevolent public institution, by means of the opulence with which he is cursed, one is disposed to ask by what right any man is to be allowed by virtue of mere wealth, to set agoing in his country, at his own will, to satisfy his own propensities, however excellent and well-intentioned, some gigantic institution which must profoundly affect and modify all the other institutions of his country, and through them its future and its interests, it may be centuries after he has been carried to the grave; at some time when, however right-minded and wise he may have been in his lifetime, he will have no power to intervene to modify and adapt its statutes to the requirements of the future.

"Oh!" but you say, "if you interfere with the estate or the will of Rockefeller you will take away the 'incentive' to future Rockefellers to follow in his footsteps, and thus impede the general accumulation of Means." The answer to which is, that obviously, for the good of any country, no more desirable effect could be hoped for than to discourage others from like formidable over-accumulation.

"market" and internal demand, and also the physical well-being and contentment of the great majority of the nation.

In a progressive nation, just as the production of commodities takes care of itself and is always equal to the demand, so also the accumulation of Means in private hands always far and away transcends the legitimate opportunity for its profitable application as Capital. The real dangers are over-production and over-capitalization.

There are two partial exceptions to the rule that each mode of taxation is subject to a strict limit beyond which it is impossible to enhance its productivity by increasing its severity. They are the possession of Land and the inheritance of Means. Of both of these it is within certain bounds in the power of the State to take such toll as it thinks best; and the greater the proportion it takes, the more amply its coffers will be filled for the moment, and the better it will be able to fulfil its constantly accumulating duties. That much one has to concede to the "collectivist." But on the other hand impartiality must part company with him when he persists in ignoring the ultimate economic result of over-appropriation in respect of either class of property. "Justice" is a dangerous word, importing a conception of the absolute and eternal into a science essentially dealing with the relative and temporary; one which cannot safely be used with anything like scientific accuracy as a criterion of the practical desirability of any institution custom or law. The only safe ground is expediency, and this even in the last resource is seen to be at best but an expression of empirical probability. But "for all that, and for all that," men must and should be swayed by the conception of what *is* "just," even though it is impossible to define justice; and in dealing with these two quite distinct opportunities of direct taxation, it is neither desirable nor possible to discard the notion that there is, though we cannot properly appreciate it or formulate it, a something: law, attribute, virtue, or however we may put it, which is "just"; and which, therefore, we know not why, mankind in their dealings are constrained to obey. Here, as in any other of its boundaries, the territory of economics marches with that of ethics.

Land lies* always at the mercy of the State; not only can it not be removed by its temporary possessor, but it cannot even be exchanged or transferred except as a defenceless something

* *Ante*, p. 157.

which must always remain subject to the will of the State in the very act of transfer, and which can only be enjoyed to such extent and in such form as it may please the State at any moment to permit. And this idea lies at the back of the notion of Lassalle, and of Mr. Henry George,* that the land of a country is essentially the "property" of the people of the country, whatever that really means; at any rate that it forms the primary source from which their collective needs must be satisfied; and that it is not only the right, but the duty of the State to see that it is so employed as to minister most effectively to those needs. Lassalle and his followers did not limit their collectivism to land alone, but included it as an item merely, in their theory of the abolition of all private property. Mr. George, on the other hand, seeing the impossibility of arresting the flight of Means, concentrated his advocacy on the "nationalization of land," and his ideal mode of effecting that, was by progressively intensifying the taxation of "land-values," as the true panacea for the ills of society, till all rent has been absorbed in taxation, and the landlord exterminated. And next comes good Mr. Wells, and explaining how painless and beneficent this euthanasia is to be, invites landowners to crowd the portals of his lethal chamber. The more modern school of collectivists, for the moment, tend in the opposite direction, and are disposed to subordinate the "nationalization of land" as an immediate purpose, and concentrate themselves on the elaboration of a scheme of removing the production of Wealth from the sphere of the individual to that of the State by confiscating the existing material Means of production (a device, by the way, which would obviously not carry them far, without a corresponding provision for an unlimited supply of further "Capital" to carry on with, and therefore equally postulating the confiscation of all Means). To all of these theories the common sense of mankind opposes the deep-seated consciousness that a human being is not an insect, that the instinct of property in itself is a sound one, and that humanity being what it is, collectivism is impracticable. "Common sense prevails" was the cry with which the Australian working-men in congress contemptuously rejected the proposal to organize themselves on a communistic basis. Whether this common sense is in truth just, or whether it is but a survival of barbarism, is a question, the arguments in relation to which it is

* *Ante*, p. 156.

proposed to sum up in a later chapter. For the moment we are concerned with the "justice" and expediency of subjecting landed property to special appropriation by the State, and the extent to which, and mode in which, such appropriation might, if needed, most advantageously be enforced to provide for the growing necessities of the nation, which at all costs must be satisfied. In some countries, notably in Britain, space is the most heavily taxed of all things; and the State supposes itself to be obeying some great and beneficent "law," when it piles up its claim on this process of the essential ingredient of every life and industry of its citizens; on the particular requisite without which industry in every form is an impossibility. It thus taps industry at its source, and congratulates itself on so doing as on the performance of some sacred economic duty, inasmuch as thereby it leaves the stream untroubled in its channel.

The incidence of "local" taxation, which is in Britain almost exclusively levied on space in the form of lands and buildings, counts for very much in the determination of the cost of production of all things. If this condition of taxation were equally applicable the world over, the citizens of one country would have no cause to complain that their industry was unfairly handicapped by the competition of another less severely taxed in respect of space. It would simply tend to the universal enhancement of cost of production, which would have to be reckoned with by the entire industry of the world in proportion as it found itself in a position to need space for its prosecution to a greater extent in comparison with the volume of the product. It would *pro tanto* make ships, for instance, or complicated machinery, or steel rails, or cotton-cloth greater in value than they otherwise would be in comparison with other commodities in the world the production of which needs to be less extensively "housed." But where in one country as opposed to its rivals in production, space is the main subject of taxation, then the more roomy industries of that country are carried on at a necessary disadvantage as compared with the same processes of other countries.* To bring the question down to a concrete instance, there is no doubt about it, that in the United Kingdom there are certain industries, of which that of ship-building is a prominent example, (the work of distribution carried on by railway

* Note the significant figures relating to the importation of metallic objects of manufacture, *ante*, p. 204.

companies is a still more familiar case; but here, though, the industry itself is not directly subjected to world competition,) of one which suffers injury in this way. Certain industries have to fly from rates to preserve their existence, not only from rates directly levied by the municipality on the space in which their processes are carried on, but still more from that indirect result of rating—the disproportionate cost of housing-accommodation for the human labour involved, which finds its expression in augmented house-rent, and therefore in the necessity for an increased wage. Thus the shipwrights of the Thames* were compelled by the gigantic rates levied by municipalities along its banks to demand higher remuneration for their labour from their employers. And these latter, under the combined pressure of wages so artificially enhanced, and of the direct demands of taxation on the space they themselves occupied for their "works," had to betake themselves to other spots less heavily taxed; while many of the processes of a great firm in the North of England have to be carried on by Italian workmen on the shores of the Bay of Naples, where local rating is an unknown engine of exaction, its place being taken by the much more vexatious but far less oppressive "dasio" or octroi. For a time such an industry of special skill will still survive in a country, whose workmen have acquired an hereditary aptitude, and in this way the shock is deadened and the ultimate fate of the industry obscured for a time after the fatal stroke has been given. But human skill and labour are as essentially international in the long run, as are all other requisites of production; and if the processes of the heaping up of municipal indebtedness and of the exclusive satisfaction of national claims by the local taxation of space are allowed to progress unchecked, as the self-constituted friends of the poor demand, it requires no great insight, for instance, to predict that in course of time the trade of building ships for the world's commerce, which has already fled from the Thames to the Clyde and the Tyne, will in due course depart from this island altogether, and find for itself new centres of activity in Philadelphia, Stettin or Osaka, or wherever revenue is raised less oppressively.

Outside of this particular mode of exaction, there is a land-tax common to a greater or less extent in all countries of the world, partly in the form of an income-tax, partly as an acreage-impost, or rent. This, and the "Schedule B" of the income-tax form

* *Ante*, p. 113.

at present the national participation in the income arising from land; only the balance of land-income is left as a property-right of the individual. In what way, and to what extent the State can provide for its needs by further expropriation of the balance will be a pressing question. Adam Smith in a much-quoted passage pointed out, that for taxation to be tolerable and "just" it must press with no greater severity on one class of owners than another. It is impossible to demonstrate the truth of this generalization, though the human sentiment of justice approves and endorses it. But land remains, while all other "property" passes away, and therefore it is *not* apparently just or equitable that the State should concern itself to preserve to all eternity for the benefit of their successors the rights of existing owners of land, in a profitableness and inviolability which in the nature of things, cannot possibly attach to any other sort of property. Government stocks must sooner or later become unproductive, and every conceivable obligation of men or of associations of men must in course of time cease to yield its profits to the successors of those who have employed their Means in its purchase. Wealth, in its strict sense of commodities, is entirely ephemeral and is consumed and wasted from day to day. And Means, which are so to say the abstraction of it, partake of its perishableness. On what ground after all does the land-owner found a just claim to any sort of exemption for his "property," as he calls it (by which he means that which he has hitherto been permitted to appropriate,) from the universal perishableness of things human? How can we assent to the doctrine that, while all other rights of mankind are passing and ephemeral, those of the possessor of space shall continue to be recognized intact as they at present exist, till some prodigious earthquake has destroyed the very soil and surface of the spot from which they arise?

Much has been written respecting the ultimate "incidence" of taxation. A tax collected from the pocket of one class, not only may, but eventually must more or less indirectly effect some modification of the economic conditions of every other, the interdependence of different classes being the obvious and primary result of the civilization of Man. The people who legislate for the collection of the revenue of the State are properly exercised in the effort, mostly vain, to prevent the shifting of this burthen from manifesting itself oppressively, and to the detriment of the weaker.

Thus, as Mr. Fawcett (a very safe guide) pointed out with his accustomed accuracy, it must more or less occur that a tax on the Means of the wealthy will react on the lives of the workers, it may be by diminishing their income from wages, or more probably by depriving them to some extent of the opportunity of profitable employment. Any excessive strain on one link of the chain of society reacts on every other, more or less, and the sequence of causes and effects is too obscure and subtly connected to lend itself to anything like accurate prospective analysis. But some things may be fairly predicted. For instance: in a country like Britain, there is no reason to suspect that the general rate of wage is on the whole likely to be seriously affected by reasonable claims of the State to participate in profits.* Employment and wages follow demand; and so long as the claim remains fractional and proportionate, demand must continue for energy to be expended on profit-bearing industry, though that be less profitable than it would be if freed from the toll. The danger of a tendency to lessen employment by limiting the application of Means as "Capital" does not apply as yet with any force to a country where even a steadily diminishing rate of profit yet produces annually an increment of Means out of which the requisite supply of Capital can so easily be raised, if the possessors choose to keep up the enterprise of profit-making. In fact, the "wages-fund" bogey is the hollowest of hollow turnips. On the other hand in times of depression there will, even in Britain, occur occasions when enterprise may suffer, not from an insufficiency of Means to prosecute it, but from a temporary disinclination of possessors to devote it to the purpose; in other words from lack of confidence. This, as things are, is but an ephemeral and passing "functional derangement"; but let us beware how we neglect the symptoms till the disease becomes chronic and "organic."

From this point of view the effect of those imposts which assume the form, not of a mere levying of a proportion of profit or income, but of a comparatively fixed charge such as "rates," which vary less with the productiveness of the thing rated than with the necessities of the authorities of particular localities, has peculiarities which it is most necessary to note. An instance, only one out of thousands available, has been given,†

* George, "Progress and Poverty," Book VIII., Chap. III., pp. 368—9.

† *Ante*, p. 255.

of an industry exterminated by the over-exaction of Means in this manner. Even when some doomed trade has ceased to be profitable, "rates" continue to be exacted punctually in respect of the premises in which it lingers, till these are abandoned and go to ruin. And with each such abandonment, such is the working of the remorseless system with which Britain is cursed, the neighbouring properties must necessarily be taxed at a higher amount to provide for the inevitable expenditure, which in its turn must be enhanced by the local distress induced by cessation of employment, so that the poorer a locality becomes, the higher the "poundage" of local taxation, and the more heavy the burthen cast upon the class least able to support it.

In respect of housing accommodation, this oppressiveness assumes a still more intolerable severity. In the poorer districts of great towns in England the taxes on house-property, national and local combined, rise not seldom to one-half of the rental. Making allowance for the greater rent at which room-tenements are occupied in proportion to the rentals of the houses themselves, certainly not less than one-third of what the tenants pay, enures in the result to the State and the municipality, in respect of public charges. As things are, a great proportion of what the State needs for local expenditure comes from the pockets of the poorest class. Even this would not be so intolerable, were it not aggravated by the abnormally high tenement rents due to the local competition of demand, which again is a consequence of an under-supply, induced by the unprofitableness of the position of the builder and the house-tenant. It is a singularly cruel dilemma. If the "rates" were suddenly lowered, this form of "investment" would at once become *pro tanto* more profitable to the owner, and the economic effect of the fall would be gradual and slow; and not until after a weary interval of adjustment would the supply of house accommodation revive by the building of more new houses, and a cheaper scale of rents eventually formulate itself. During the weary long meantime before the supply of houses will have caught up the demand for them, the rentals of the tenements would not fall though rates were diminished. Competition for housing must keep them up, so long as there are people prepared to pay at a high figure, in excess of the housing capacity of the district in which the poor folk must dwell; and every remission of rating or taxation

must during the interval of adjustment, benefit only the owners and lessees of this class of property.

Were it possible to induce the progressive congestion of population in the towns to dissipate itself, the exaggerated over-proportion of rent to the rest of the cost of existence, which is by far the most striking evil of the poorer classes in the town, would tend to disappear by lessening demand. On the other hand, could an inexorable limit be imposed on the rating power of localities, then an increasing security would lead to more extensive enterprise by builders, and a similar result ensue from an extension of supply; but either cause must operate slowly. And meanwhile nothing has really been done in either direction. Men of benevolent intention meet and discuss the situation in philanthropic helplessness, inclined to agitate first in the one direction and then in the other. And the cruelty of the situation lies in that these, the only two conceivable remedies, are mutually counteractive, and that therefore no practicable step can be taken to bring the one into operation, without inevitably making the other to the same extent more difficult to apply. For, as above pointed out,* in their essential nature demand and supply are not contrary but correlated forces, and tend inevitably to rise and fall together. If you lessen the first, the natural tendency is to weaken the second, and *vice versâ*. "Down with the rates" and "Back to the land" are therefore watch-words implying principles mutually destructive.

But even the disastrous congestion of the towns is in itself a less incurable evil than the correlative depletion of the country and the gradual disappearance of the rustic. Investigation has demonstrated that it is this centripetal movement of the population which pours into the town a steady stream of healthy humanity from the country, on which vitality depends; and that when that stream begins to dwindle, the towns "where wealth accumulates and men decay" must dwindle in their turn, and the economic potency of the nation disappear with them. The humbler of the dwellers in towns have been proved to be short-lived and to tend to degenerate, needing a steady flow of fresh blood from the land to keep them up. The children of those who thus migrate, bred in a feverish and congested environment, lose in animal vitality a power ill-compensated by more acute mental development; and those bred from them form in their

* *Ante*, p. 127.

turn a still frailer third generation. "Mox daturos progeniem vitiosiorem." This is not theory, but scientifically ascertained fact. And one of the vital problems of the future seems therefore to be, how to keep on rural land a sufficiently numerous and strong vital population, from which without dangerous depletion may be drawn the successive swarms needed to occupy the industrial hive of the town. This therefore is a problem of economics as well as of anthropology, and it will be seen that its most potent factor is precisely the action of the State in the organization of taxation and the regulation of the institutions of rural districts.

By the irony of undesigned consequence, which so often turns legislation intended to further it into an influence maleficent to the interest protected, the sad vicissitudes of agriculture in England may for the most part be traced to the Statute of Elizabeth. This was adopted mainly for the object of ensuring to those interested in the cultivation of the land the certainty of a supply of labour at the cheapest possible rate. The unavowed purpose of the original poor law and of the "law of settlement" which was its necessary corollary, was to re-establish agricultural serfdom under the specious disguise of a provision for compulsory benevolence. The "law of settlement" has disappeared, and the Poor Law Act has been so entirely modified by subsequent legislation as to present an entirely different aspect and series of economic effects, from anything which was contemplated at the time of original legislation. But the inveterate habit of the insufficient wage has continued to cling to agriculture over at any rate the greater part of the area of South Britain, and the acquiescence in the poor-house as the proper place for the aged agricultural worker, the home to which in the nature of things it is his blessed privilege to look forward towards the end of his struggle, still survives to curse an industry which, in the nature of things, should, it seems, be the most bountiful of all.

Under such a system, denying hope to labour, anything like scientific intensive culture cannot be generally applied; and economically it is only by the application of this that the cultivation of the land can take rank as an industry productive of adequate result.

By the alienation of the land for sufficiently protracted periods, the incentive can be supplied for the outlay of the Means without which scientific agriculture is impossible. It must be

confessed that hitherto the ample incentive of an ostensibly "absolute and eternal" freehold has not generally evoked in our country the adequate application of skill and Means to agriculture, so as to conduce efficiently to a productiveness anything like adequate to the opportunity which Nature has afforded. Given Capital, skill and industry, reasonable management, and the necessary enterprise and daring to take risks and make experiments, it would be difficult to set bounds to the possibilities of enhancement of agricultural production. One does not need to endorse the over-generous conclusions of Mr. Upton Sinclair,* founded on a work by Prince Kropotkin, to appreciate the fact that agriculture in England still remains backward and unscientific. It is only necessary to walk through the countryside in Warwickshire or Essex, or even in parts of Kent or in Devonshire, to understand that a sadly poor result is being derived from a bountiful opportunity of Nature; and for this, for the depopulation of the country and the overcrowding of the city, for the abject and wasteful dependence of the nation for at least seven-eighths of its food on the chance of supply from abroad, one cause is the most responsible: which is the ineptitude of State action in the domain of taxation, and especially in respect of the provisions made for dealing with poverty and want, which are essentially diseases affecting the nation as a whole, and which should be alleviated out of the resources of the State, and not by delegating the duties of relief to local authorities fit to deal only with parochial exigencies. And part of the blame rests also on the shoulders of the excellent class of men whose caste-instincts of feudal domination determine an opposition not always intelligent to any proposal that seems apt to clash with the supremacy of each magnate in his own district and over "his" ancestral acres; for every proposal for extending national control is open to that objection. The blind "conservatism" of a "propertied" class hinders any effective improvement in the conditions of land-using.

But above all we suffer from the mistaken notion on which our local expenses are based. The provision of services and conveniences for the use of a locality has to be a charge on the people who dwell there: gas, water, lighting, sanitation, the paving of streets, possibly even the making and repair of

* "Industrial Republic," pp. 88—92.

highways (though there is much doubt of this), and certain other local services. Many of these enterprises are so remotely productive that the localities cannot embark upon them in a directly "commercial" spirit; the services being necessary for the particular locality, the means to provide them must be found by each from its own resources, irrespective of any direct profit to be obtained from the enterprise. And if no better way of providing for them can be invented, some charge on income for these objects must be imposed on the land of each local community. But no excuse except the inelasticity of the collective revenue of the State can be suggested for charging on the limited local income the entirely national needs of the education of the young of the country, the services of police, the administration of law, and the relief of distress—absolutely national matters, the obvious consequences of the neglect of each of which tells on the welfare of the nation as a whole, and does not especially concern the particular locality the authorities of which may have proved themselves remiss or corrupt or unskilful in their administration.

Of late years in this country steps have been taken to allocate to local authorities defined proportions of State revenue in aid of the always insufficient local resources, and in return, a more or less defined control over these authorities has been increasingly and by no means unnecessarily claimed by the central government. Now this surely is a most illogical and cumbrous device. England is a country of ostentatiously illogical institutions, and it is the fashion to say that these work beneficially almost in direct ratio to their illogicality. But with respect to agricultural land and its burthens, the mischief is, that the enforcement of local liability to satisfy the needs of a whole series of national requirements puts on the localities a burthen that has to be met by heaping taxation upon the occupation of land and buildings.

Now this not only weighs on a particular form of industry to the exoneration of others; but so heavily on that, as to impede production, and depress and disperse the healthy population; to which the nation has to look for its vital replenishment. Where each additional cottage put up by an owner, even each needed improvement he makes in existing hovels, becomes forthwith an opportunity for taxing him afresh, and to an extent disproportionately large in comparison with the pecuniary benefit which he obtains by his enterprise, things must go on in

progressive degradation. Thus it is that the housing accommodation of rural districts tends steadily to fall below the needs of the people. The demand is normally in excess of the supply, and rents rise with it, while "rates" continue to rise with them in direct proportion to the increasing poverty of an over-rented and under-paid population, and thus prevent the provision of necessary housing. People talk glibly of the "increasing attractiveness" of the town with its "fuller life and greater excitement" as the main determining cause of town congestion and rural depopulation. No doubt there is a general centripetal force at work. The leaden pressure of scanty wage, the striving to escape from the inevitable goal of the workhouse, the inadequacy of the normal reward held out to the aspirations of the average rustic, the promptings of the gambling spirit ever ready to face the unknown, and the striving to escape sordid actuality—all these have their depopulating effect, but this would be counteracted were it not for other more potent causes, wasteful and unscientific agriculture, steadily increasing demand in the way of "rates" and the intrusion of petty and incompetent local authorities into the direction of national concerns.

A local council of village tradesmen and rustic labourers may be entrusted with the determination of the site of a village pump or of the width of a country lane with comparative safety, or (most important of all to their minds) with the decision whether a scavenging contract should go to the brother of the chairman or the nephew of the "vice-chair"; and the amount of mischief such people can effect is limited, and at worst concerns only the immediate locality. But it is cruel to put on their shoulders or those of a class but little more enlightened any part of the problem of the education of the young of the nation, the "keeping of the peace," and enforcement of law, or the provisions for the relief of poverty and distress.

Two of the chief needs of a nation are intensified productiveness of its land, and increased numbers of the rural population. And the institutions of the local government of this country are so framed as to minimize our power to supply these needs. And of all these institutions the most unsatisfactory details are presented by our method of raising funds for local purposes by the taxation of space.

It must not be lost sight of, that the whole theory of this taxation is, so to say, slipping into a position of fallacy, from

which it appears impossible to extricate it without a readjustment almost revolutionary. That a certain class of public need should be satisfied exclusively by the taxation of space and of that wealth and labour which has been incorporated in it, to the exclusion of all other modes of embodiment of Means, is glaringly inequitable as between different classes of Means-owners. Even the disciples of Mr. George, who clamour for the "single tax," and the State appropriation of rent, would freely admit, that until their scientific readjustment of burthen is adopted, there should be equality as between different classes of contributors; and that except on their own thesis that the profits of the land belong to the people of the nation, the invidious distinction is indefensible. Nor would they attempt to defend that part of the incidence of rating which falls on buildings machinery and improvements to the exclusion of such other embodiments of Means as have not been incorporated with the surface of land. Their claim asserts itself only as against that inextricable element of the total value of "landed property" which consists in the natural surface and position—"prairie value" and "unearned increment" are the cant phrases;—and they would admit therefore that in its present form, in which it makes a special charge in addition on the wealth incorporated into the land by previous labour, while allowing other and similarly derived income to go free, taxation is essentially unscientific and unfair.

Now the conservative apologist for things as they are takes refuge in the assertion that after all, the rating of land is only a device for extracting from each occupier a contribution which as it is proportional to the value or desirability of the space which he occupies, may, roughly speaking, be accepted as indicating his capacity for bearing taxation. But this suggestion is monstrously and notoriously untrue. Take the concrete case. A. is, say, a manufacturer occupying a considerable space with land and buildings and machinery carrying on a trade giving employment to, say, a thousand workmen. Irrespective of whether his trade is flourishing or losing he is "assessed," not in proportion to his capacity to pay, which might be fairly indicated by the desirability and luxury of his own home as compared with the house of B. who is a professional man, or of C. who is a merchant occupying a room or two as an office—or of the rest of the letters of the alphabet. A. is singled out to bear a

gigantic proportion of the common burthen of convenience from which he personally derives no more benefit than the rest of the alphabet; simply because his calling and that of his men happens to require for its exercise a great comparative appropriation of space and of that which has been affixed to and incorporated with it; here again we seem to be travelling in the island of Laputa, the thing is so grotesquely and manifestly inequitable. And then the workmen, the people whose wages are pressed down because of A.'s inability to afford more in wages, owing to the demands of local finance upon his resources, also have to pay in respect of their homes, rents which are nearly doubled by the same exaction. And this is the form of taxation which a certain class of publicists cherish above all others and are doing their best to extend and intensify. The writer, who strives hard to attain to impartiality in his estimation of opposed theories, is fain to confess that in respect of this subject he has failed, and that to him the entire theory and practice of "rating" in the United Kingdom appears saturated with injustice and iniquity.

While this is true of rating as it is, a specially iniquitous proposed aggravation of the injustice finds favour with a particular school of thinkers, which is the suggestion of the "rating" of land-values as distinct from the value of the actual occupation. According to this doctrine the duke is to be mulcted in his capacity of landlord on the space he has let, besides paying his own rates on the shamelessly luxuriant mansions and castles in his own possession. "Why should the tenant be rated when the ground landlord escapes?" Now this really is quite a decent genuine fallacy, of the rather rare variety which lies in using two or three terms to denote one and the same object of thought, and then reasoning as if they represented two or three different things and not one. It is susceptible of being stated in something very closely simulating the form of a true syllogism, which would run as follows:—"All forms of property ought to contribute equally and rateably to the expenses of the State, and all forms of landed property equably and proportionably to the burdens of the municipality. Now the ground landlord and tenant are all entitled to different rights of property in a house. Why should the interest of the last alone be mulcted and the freeholder and the rent receiver or intermediate lessee escape?" Of course the answer is, because in the first place no attempt is made to cause all kinds of property to contribute equally; but

chiefly, because it is not three different things, but three different aspects of the one thing (which is the whole net rental paid by the immediate occupier) which you propose to rate three times over. That one thing you have already fully taxed, in respect of its entire value, by rating the possessor; who has to get what contribution from the freeholder and from the intermediate lessee as the operation of supply and demand will permit. What you would levy your rate upon is the actual concrete thing, the particular morsel of space, with its buildings upon it. In that place exists nothing else to tax. You cannot with equity assess and rate three times over a thing which contains within its own desirability or value these three parts of the manifestation of the right to it and in it, just because these happen to be owned in bits and shares by three persons with different "rights," *i.e.*, expectations of benefit from it. You may make any one of those three hand over to you the money which you exact in respect of the one entirety. You do not thereby necessarily tax *him;* who ultimately pays the exaction is a matter for the several owners to settle between themselves; and all the legislation in the world is impotent to modify the arrangement they come to. If you set to work to make the duke pay "rates" on his ground rents, and the leaseholder on his annual income, as well as the householder on the total annual rateable value of the whole affair, while you are really rating the one thing three times over instead of once, in the long run it will be "supply and demand" and not your will or your conception of "justice," which will determine the real incidence of your taxation. If the supply of such houses is inadequate to the demand, the rent must necessarily rise till the whole of your triple taxation will have been paid by the householder in the form of enhanced rent. And when the supply of houses of the particular class becomes in excess of what is needed, then the duke and the leaseholder, at first the latter, in due course the former, will, whoever pays the money, in the long run bear the entire brunt of your triple exaction.

The conclusion may be thus stated in the following words. (1) The entire system of "rating" is founded on iniquity and injustice, and needs in the public interest, especially the interests of the poorer classes, to be completely recast and placed on a different basis altogether.

(2) In the United Kingdom, while it is true that for the cost of

certain local needs, local contribution is the appropriate and just source of supply; that should be so regulated as to be levied in proportion to the Means and not to the needs of the contributors; be in proportion, that is, to the Means possessed by all persons resident within a given administrative area, without distinction of the nature or form of their investment.

(3) That the purposes for which recourse is had to local as opposed to national taxation, should be strictly limited to those objects which are truly of local and not of national benefit and requisiteness.

CHAPTER XV

TAXATION (INDIRECT)

It is more difficult to estimate the yield and analyse the incidence of "indirect" than of "direct" taxation. What is levied upon the importation of goods (whether at a fixed rate on each variety, or by *ad valorem* duties), or is taken by way of "excise" from goods produced by a country for consumption within its own borders is the only "indirect" taxation properly so called. On certain classes of things, and under certain circumstances there may be in some cases also "export" duties, which though apparently similar, are not really "indirect taxation" on the goods at all, in the proper sense, but a mode of obtaining revenue quite apart, the incidence of which falls in the main on others than the subjects of the State which imposes them. It ought almost to be classed in a "Budget statement" as non-tax revenue. For it can only be successfully resorted to in special cases in which the direct incidence of the impost can be confined to the people to whom the goods are exported; cases such as that of tin in the Malay States, diamonds in Cape Colony, or smokeless coal in Wales, in which the exported article is one for which the country has exceptional facilities of production partaking of the nature of monopoly, so that other people requiring the things have to submit to pay an additional price in the nature of rent for the opportunity of participating in the use of the product. *Pro tanto* those who are compelled to avail themselves for their industry of the contents of the land of the Malay Peninsula, Cape Colony, or Glamorganshire, as the case may be, can, if the thing is a necessary one of which the exporting country has a monopoly, thus be compelled to pay toll to the State of the producing country.

Excise-duties can be advantageously imposed only on things entirely consumed at home. The burthen of these falls entirely on the consumer, while only a portion of it benefits the finance of the State, the other part going partly to the makers of the commodities in respect of which they are imposed, to pay them

interest on what they expend in advancing the tax and wages for undertaking the duty of collecting and farming it, and partly to the army of State officials employed in enforcing the law and seeing that the others do not cheat. Wherefore excise taxation is wasteful, expensive, and signally vexatious, and led Robert Burns to give utterance to his popular sentiment "The de'il fly awa' wi' th' exciseman." Excise taxation conspicuously infringes Adam Smith's canon that a tax should not be vexatious and irritating, and as a matter of fact it must be entirely limited to such commodities as can be compelled to contribute very large sums which the State cannot afford to remit: such things as beer and alcohol, which are found particularly suitable subjects for taxation in the interest of national finance, with a certain uneconomic but probably beneficent regard also, to the "claims" of national sobriety and the inculcation of "self-denial." When a given thing is easy to produce in a country in any required quantity, and the making of it is very profitable, an excise-tax on that thing collected from those engaged in its production does not entirely fall on the consumer. The competition *inter se* of makers and distributors undoubtedly to some extent tends to keep a considerable part of the burthen of taxation on the shoulders of those from whom it is collected in the first instance; but by far the greater part is rapidly and automatically transferred to the customer in the shape of increased price.* Here mononesis sets a-going its "law of diminishing returns," till the bottom level is reached, where profits attain their minimum; and from that point, prices respond to the increase in or decrease of "cost of production" with automatic and unerring accuracy. Take for example a commodity like beer. If this bore no taxation at all, and were not subject to the multiplicity of controlling and fiscal regulations imposed in this country, it would follow that (the available power of supply in Britain being capable of increase to a point equal to any capacity of British demand), the price to the consumer must steadily fall towards the point marked by the average cost of production; till mononesis exercises its full effect, and the producer and distributor are by the competition of their fellows reduced to squeeze an exiguous profit out of skilful adulteration and cunning devices of unsuspected short-measurement. But when a heavy

* See Fawcett, who maintains that the *whole* of, *e.g.*, a malt tax falls on the consumer. "Manual of Political Economy," Book IV., Chap. III.

excise-duty is put on, this (while affording its peculiar opportunities of profit to those whose means enable them to advance the necessary funds for the payment of duty in the first place, and extinguishing the smaller producer who is not in a position to farm the tax) will tend towards monopoly, and increase the price to the consumer, not only by the amount of the taxation itself, but beyond that, by the effect of the restriction of competition.

Not only the productiveness of each tax to the State, but also its incidence; the determination of the question on whose backs, the burthen ultimately has to rest, depend, in the case of each sort of tax, on a number of considerations, only one part of which is within the control of the State at all. And not only is this so, but even the nature and duration of the successive steps and shiftings by which ultimately the incidence of each tax adjusts itself between producers distributors and consumers, depend on the attributes of the thing, and the severity of the tax, and the wills and strivings of the people you attempt to enforce it upon. What will prove true of one sort of commodity is never entirely true of any other, and the results as to any one thing of a given scale of taxation differ in kind as well as in degree from those of a different rate on the same thing, or a similar rate on some apparently analogous thing. So, such generalizations as this: "All taxation falls on the consumer," or as the counter-fallacy, that "we can tax the foreigner by putting a duty on the importation of his products" are equally unscientific and untrue. Both statements more or less accurately indicate tendencies; but experience alone can prove how far such tendencies are interfered with by each other or by others working in contrary directions. What is true of one class of commodities will not be true of another, and the one or the other may even at given times under different conditions be alternately true and false with respect to one and the same commodity.

It is not proposed further to consider the subjects of export-duties or excise-duties. The main interest for the economist centres on the question of duties on the importation of goods.

Things imported into a country fall into four classes, two of which may be easily eliminated. The first of the four consists of goods intended for use and consumption in the country, which, failing importation, could be effectively and adequately supplied from the resources of the country itself by its own

industry, and which it is not therefore necessary, though it may be cheaper, to import. Next, things which must be imported either altogether or in part; those, that is to say, the production of which within the country is either altogether impossible or inevitably inadequate. A third class consists of "raw materials," things really included in the first and second, but which have to be considered apart as regards their susceptibility to taxation; things which coming either in a natural or partly manufactured state must be admitted for the purpose of working up into goods, whether such goods are needed for consumption for use in the country itself or for exportation. And with regard to this class also, the effect and incidence of an import-duty must vary according to which of these two purposes the resultant finished thing is eventually devoted to. A fourth and separate class consists of things which it is found by commerce convenient to import into the country as a mere market-place, to be re-exported unchanged; which do not employ the labour of the country except incidentally by way of transportation and warehousing, and which a sane financier would not dream of meddling with. One and the same commodity may on different occasions and under different circumstances happen to fall into almost any one of these classes, according to its use and destination. While it is often impossible to predicate of any particular lot or parcel of goods under which of the heads it will range itself; it is clear that an import duty levied on any article capable of being re-exported, whether in its original shape or after further manipulation, must, unless counteracted by a refund or rebate on re-exportation, *pro tanto* check commerce and the employment of energy in its preparation for export.

Taxation either on goods imported and subsequently exported unchanged, or on raw materials that are used in manufacture for export is essentially futile and suicidal, and involves so obvious a disadvantage to industrial and commercial enterprise, as to be impossible. And inasmuch as many imported materials are used indifferently for production for the home and foreign market, and cannot be distinguished at the port of entry according to what may thereafter turn out to be their destination; and the only possible way in which the home consumption of them could be taxed without destroying trade would be by adopting a system of rebates on exportation of the manufactured product, even the most "protective" fiscal systems renounce this source of income.

For rebates are cumbrous and costly, and exceptionally liable withal to dishonest manipulation on the part of manufacturers and exporters, a fruitful source of oppression, friction and fraud. So that the third class, no less than the fourth, may be ruled out as practically insusceptible of indirect taxation.

This leaves as possible sources of revenue, the first and second of the above-named classes only, *i.e.*, those goods (other than raw materials) consumed in the country which respectively can and cannot be produced adequately to the demand from its resources. They include a prodigious list of commodities, the possibilities of deriving revenue from taxing which vary indefinitely, and while what can be collected by the State at a given rate of taxation on any one may to a considerable extent and even for a certain time prove susceptible of prediction, the permanent and ultimate results on consumption and on the ultimate yield and incidence of the taxation can only be realized by experience.

In general it is true that the demand tends to dwindle as the rate of taxation is enhanced, but to what extent it is hard to predict in respect of even any one sort of commodity, still more of commodities in general; while as to the real incidence of any taxation, whether direct or indirect, the analysis is immensely elusive and obscure. Each class of persons on whom any tax seems to fall is ever consciously or unconsciously striving with varying success to fix the load on another. How this necessarily works out with regard to "rates" has already been indicated, but the effect with respect to import-duties it is still more difficult to follow into actuality. Sometimes the importer who pays the tax succeeds in shifting it back on the producer from whom he imports, more often forward on the distributors, and then, as a necessity, each of these in his order struggles to collect it from the one below him, and the last of them, the retail-dealer, gets what he can out of his customers the consumers, sometimes even extracting a profit out of the taxation itself by charging in respect of it more he has to pay; but not infrequently finding it impracticable to collect in price the whole of what he has paid.

An increased sugar-duty expends its incidence in the United Kingdom mainly on the producers and distributors, of sugar and things made out of it, it having been found that the article is one in respect of which there is difficulty in their shifting the charge on to the retail customer. And

on the other hand, tea is an article the taxation on which is so heavy in its proportion to the value and bulk, that the retail price to the consumer responds readily to each penny per pound added to or taken off the duty. But shillings per hundredweight do not translate themselves easily into pence or even farthings per pound. And it generally occurs in the commercial experience of the haggling of intermediate markets and competition of intermediate distributors, that a small increase or diminution of duty dissipates its effect in the course of the process, and reaches the consumer, if at all, only in the shape of some eventual and imperceptibly slight fall or rise in quality or genuineness.

Nevertheless it is often true in practice, as it seems so very easily demonstrable in abstract theory, that import-duty falls, in one form or another, ultimately on the consumer. At the first set off, indeed, a substantial import-tax translates itself into retail price very perceptibly. But, as will shortly be proved, this effect is for the most part a mere temporary phenomenon of re-adjustment of supply, and it must eventually vanish (as regards goods of the first class) under the pressure of internal competition. In other cases the tax is capable of being levied so lightly and gently as to become practically imperceptible in the market of consumption. Of course, there are many commodities consumed in a country (mainly those of the second class) which may be so taxed as to impose an oppressive burthen; but there are always in practice limits beyond which the rate cannot be pushed without impairing its yield and thus defeating the financial object. There are even certain things of absolute necessity which (like a poll-tax) may be made the occasion of indefinitely oppressive exaction, such for instance as salt in Italy. But such exceptional instances apart, the yield of a tax limits itself in two ways, first by restriction of consumption, next (and in the first class still more effectively) by the stimulation it affords to the production of the untaxed supply of the country itself and the correlated restriction of importation. In one or other of these modes, the limit of productiveness of an import-duty will often be reached at a comparatively low point of pressure.

With respect to the first class of goods, taxation, in order to continue productive of revenue, must obviously be limited to such a charge as will not cause importation to cease. If the duty is fixed at a point which will so enhance the price of imported goods in the country of importation as to enable the home

producer to offer at a lower figure and with profit his untaxed goods in competition, the foreign producer after struggling awhile against the mononesis, will be gradually ousted from his market, and the taxation will then become "protective" and therefore unproductive, as the importation tends to disappear. Not entirely: for even under a "protective" tariff, certain varieties of things of each class will continue to be brought in as articles of fashion, caprice, or fantastic luxury. But at a point far short of what is commonly called a "prohibitory" duty, the State income from the taxation of such things as can be produced in the requisite quantity at home diminishes with each successive increment. Take such a commodity as boots and shoes for example. In the United Kingdom the industry of this manufacture is largely, and on the whole, not unprofitably carried on. And yet in certain qualities and sorts a vast quantity is imported from foreign countries which are able to produce a little cheaper or a little better adapted to some particular part of the demand. And outside of this there is a further foreign trade, which provides expensive things of particular daintiness not at present made here. Now it is obvious that the bulk of the demand for foreign boots, for the more ordinary sorts, would under the stimulus of a comparatively small import-duty be rapidly appropriated by the home manufacture. What would happen, if it pleased the State to take such a step, for instance, as the imposition of a duty of 40*s.* a gross on boots and shoes, is so obvious as to be capable of almost exact prediction. The first thing would be a rise in price of something like sixpence a pair in boots all round. Then, almost immediately, the manufacturers in England, whose cost of production would remain as before, or tend rather to fall with an increase of their output, would begin to try and earn as much as possible of this additional profit, first by competing to absorb the present demand, and then by extending and adapting their plant to enable them to produce those sorts which were previously produced better or more cheaply abroad. As their boots came more copiously on to the home market, so the foreign producers and those who make a living by importing their wares would set about struggling to preserve their trade, by lowering *their* prices in turn, in order to try and keep up the demand for their things, so as to retain for themselves the economic advantage of the "large output" which minimises in each business the incidence of fixed charges. (Those who wish to hold up to

execration this very natural and in some respects somewhat beneficial tendency, make use in this connection of the opprobrious epithet "dumping"). As the competition works out, the home makers in their turn will bring down their prices in competition with the foreigners, and with each other, till in course of time the effect of the duty on the consumer's price reduces itself to the zero at which it had stood before the imposition of the tax, and production will still be profitable, though price will, in some cases by virtue of the economy of increased output, fall even below the original average, and without any perceptible ultimate contribution of the consumer to revenue.

But so long as the foreign maker manages to appropriate a portion of the demand, so long will the tax continue to yield revenue and to charge the consumer, even after the tendency to lower prices has come into effect. The home maker continues to enjoy his greater price only till he has succeeded (by aid of the duty) in appropriating to himself the bulk of the demand. As he does this, his prices must be lowered while the bulk of his profit goes on increasing.* But the opportunity as well as the profitableness of the foreign import must come to an end precisely in proportion as the stimulus to home production becomes effective; in proportion, that is, to the severity of the duty. The bigger the tax in such a case, the greater, to start with, the rise in price to the producer, and also the less the ultimate yield of the taxation; so that if the duty ever becomes entirely "protective" it ceases entirely to be productive. It is thus that in respect to the whole of the first class of taxable goods, the productiveness of indirect taxation has its inexorable limit; while, on the other hand, if it were possible to fix and maintain the import-duty just at the point where the rise of price would not be quite high enough to induce home manufacturers to undertake the effort and risk of striving to appropriate the home demand by increasing their production, the revenue from the duty would attain and preserve the maximum of productiveness with the minimum of burthen on the consumer, indeed without any noticeable rise of price at all. But this most alluring perfection of "fiscal policy" is in practice very hard to attain in respect of any but a quite trifling proportion of the commodities belonging to the first class, and it is impossible altogether except quite momentarily with the second. And but little practical benefit is

* See Marshall, "Principles of Economics," Book V., Chap. XII., p. 530.

to be hoped from so delicately adjusted a system of "scientific tariff."

In practice it is impossible to predict to what extent and in what proportion the mutually counteractive results of increased and diminished yield of revenue, and of the correlative lesser or greater rise of price and consequently of burthen on the consumer, will occur as the result of the raising or lowering of indirect taxation on any commodity. Each kind of goods, each special variety of every kind, has its own special and particular set of conditions, which even the persons whose avocation and livelihood it is to make and deal in it are unable fully to predict. Only broad and general results are capable of being anticipated, and always with the uncertainty inevitably attendant on too ambitious generalization. Of these the chief is this, namely: that on the importation of any article capable of being produced by the industry of the country of consumption, taxation must, unless restricted to a mere trifling toll, as a condition of access to a profitable market, increase at the outset the price of that article to the consumer by at least its own amount. Next that this result must, at any rate in the case of goods belonging to the first class, soon begin to disappear under the influence of internal competition; and that its disappearance will be the more rapid the higher the special tax that has been placed on the particular article, and the greater its consequent initial rise in price to the consumer. And that prices can therefore in no case be permanently affected. The rise will occur as an evanescent symptom of the readjustment of the productive process, and must thence tend to fall back to the point at which, independently of the taxation, it will pay to produce and vend the article in the country of consumption. And it follows therefore that the dispute between "Free Traders" and "Tariff Reformers" as to manufactured goods, concerns a set of causes and effects, the development of which (save in one very important respect which is next to be noted) must be temporary and evanescent only, the permanent result being confined, that is to say, to the most economically important of all; which is their effect on the conditions which tend to an increased general employment of labour in production within the country; on the opportunity of the employment of the energy of the people. In this aspect only does the controversy possess real permanent significance. For the rest it assumes in the main the aspect of a problem of

temporary finance, of the collection for a few years at most of a possible flow of revenue, needed for a time it may be, to supplement more permanent resources; with the attendant incident corollaries of a temporary increase of profit to producers, and a still more temporary and incidental increased cost to consumers, both of which are certain to disappear.

For what is true of boots and shoes is essentially true of hats and gloves, of jam and pianofortes, of pottery and cutlery and metal, of hardware and "dry goods," of glass and soap, and of all manufactured articles whatever which are capable of being produced in adequate quantities in the country of consumption.

But the problem of the taxation of the second class of imported things, those which are *not* so capable of production in the country of consumption, is more complex, framing itself on parallel but distinct lines. These things split themselves up again into two sub-classes, those which cannot be produced *at all* in the country of consumption, and those which can only be produced there in quantity insufficient to satisfy the demand. Taking the United Kingdom for instance, the first would be represented by such things as silk, jute, cotton fibre, india-rubber, tea, coffee, and wines; the second by wool and hides, by certain metals such as iron and tin, and by the generality of food products other than those exclusively obtainable from tropical countries. Now as to the first sub-class—the exclusive products of other climates, imported in a more or less unmanufactured state,—some range themselves in the category of raw materials of manufacture, such, for instance, as india-rubber and jute; while others are articles of food for consumption, which range between the necessaries of life, the "raw material of labour" on the one hand, and the superfluous luxuries of the wealthier classes on the other. The taxation of both of these last has been a favourite device of the Government of our country. We have been induced to thus collect our revenue of indirect taxation, by the consideration that every farthing of what is so levied from the consumer (after the cost of collection is satisfied) goes direct into the national till, and none of it into the pocket of the producer.

It is not invariably things which *cannot* be produced in the country but always things which *are* not so produced, which in modern Britain have thus been made the subjects of indirect taxation; sugar, for instance, which could be produced over the

greater part of the United Kingdom and especially in Ireland, quite as well and as cheaply as in Germany or in Java, and probably to the full extent of the consumption, but which has come in the United Kingdom to be a thing of prohibited growth. So that for the purposes of bringing in revenue it has been artificially made a commodity incapable of production, though a necessity of life, and also an important raw material of manufacture. The special taxation and attendant special prohibition remains "orthodox" on Free Trade principles only so long as they remain in correspondence, and work together to forbid any people in the country generally from deriving any Wealth or means from the possible industry of its production. Such has been shown to be the case with respect to sugar; the same is true with respect to tobacco. If at any time the introduction of the sugar-beet or the tobacco plant into the United Kingdom were seriously attempted, so long as the free trade philosophy retains its mastery, either import duties must disappear, or a countervailing excise be forthwith imposed, in deference to the austere doctrines of "Free Trade." Otherwise the abomination would arise that some particular class would derive benefit from the national system of taxation.

The diametrically contrary policy of all other European countries has been gradually adopted with the assent of the mass of the population, and no proposal would be entertained, for instance, in France or Germany which could militate against the national policy of extending to the utmost the productiveness of the soil of the country and the employment of the people on the land. Rightly or wrongly all nations recognize the absolute right of each to control its own economic life in this respect according to its own choice. In the reports of the proceedings of the Brussels Conference on sugar duties, for example, it is interesting to note the unanimity with which the delegates (including those of the United Kingdom) laid down as a self-evident axiom the principle of the paramount duty of each country to reserve for its own subjects as far as possible a monopoly of the supply of those things which the land of the country produces. One is not concerned to inquire whether this is a far-seeing or short-sighted policy, whether the maintenance of the population in the country is in itself more desirable than its concentration in the towns, or, whether (as Mr. Henry George with some justice asserts), this deep-seated national purpose of other countries does not in the

long run defeat itself by necessarily diverting the increased profits of the agriculturist into the pockets of landlords in the form of enhanced rent.* These are questions which each thinker answers for himself in the main according to the bias of his mind towards one side or the other of the controversy, and any view of truth that contradicts a deep preconceived opinion assumes to the partisan mind the aspect of a lie! It cannot be true, they reason, because it would controvert the sacred truths of political economy. The fact remains that the settled policy of the European countries, their conceptions of their own interest, and the sympathies of their populations are alike imbued with a spirit irreconcilably antagonistic to the doctrine of "Free Trade" and passionately wedded to the opinion that it is the first duty of the State to preserve to the utmost for its own citizens, the utmost possible opportunity of profit out of the internal commerce of supplying their own needs from their own resources.

As to the many products of the second class susceptible of taxation which cannot be produced in the country at all, the duties levied on them fall entirely on the consumer, and the yield of revenue from these goes entirely to the State. How far it may be desirable to interfere with these sources of revenue is therefore a question removed from the "Free Trade controversy" altogether; certainly as to those among them which are essentially articles of luxury of the wealthier, there is no particular object to be gained by lowering duties below the point at which the yield of revenue can be preserved at the maximum amount; though, of course, as soon as the duty becomes so severe as to be restrictive of consumption, the yield of it begins to diminish, and even for the truly benevolent purpose of guarding the wealthier classes from the dangers of a too copious consumption of champagne, the authorities would not increase the duty on this particular article to the extent of lessening the revenue. The occasionally advocated purpose of cheapening some of these things to the poorer consumer seems also practically unlikely of complete realization till an adequate alternative source of public income or diminution of public burthens is devised. It would be ungracious to impute conscious hypocrisy to those who advocate (chiefly at election times) what is called a "free breakfast-table." But no very serious intention of benefiting

* "Progress and Poverty," Book VI., Chap. I., § 6.

the humbler classes can be attributed to people who profess to desire to relieve them of the farthings of the tea-duty, while continuing to impose increasing pounds of exaction in the way of rates on their houses. Anyhow, the taxes remain.

It is when we come to the things of the second sub-class, which are largely imported from abroad, but which still are capable of being supplied, and are supplied in part at home, that the greatest contention prevails and the greatest difficulty exists in forming an accurate conclusion. Speaking roughly, these are in the main food-products, the production of which in the country is capable of extension but not to the full extent of the home demand; a production the opportunity of profit from which is greatly restricted by the copiousness and cheapness of the supply from other countries; a supply which those who at home disadvantageously compete with it, would love to see restricted by an adequate tax on importation. Around these controversy rages fiercely; and many economists who are prepared to acquiesce in the taxation of imported manufactures are averse to anything which would tend necessarily to increase the cost of the necessaries of life, even though the profitableness of the industry of an important part of the population and the opportunity of their employment might thence derive an increase. The rights and wrongs of the dispute, the comparative advantages and disadvantages of import-duty on goods belonging to this sub-class are immensely difficult to estimate impartially. In truth it seems as if in this respect, each article will have to be judged by itself. What is found true of wheat, for example, does not necessarily apply to hops or fruit or butcher's meat or eggs or butter, or even oats or barley; and any attempt at generalization or the application of "first principles" is futile.

One point is worth considering; which is that a certain minimum taxation might be imposed in respect of many of these as of other classes of commodities, which, while amounting to considerable figures in the aggregate, would be so slight in its incidence on the individual consumer as to be imperceptible. To suggest that this may be true is unfortunately to excite fierce and indignant derision in many minds, but true it is. Such, for example, was the minute duty on wheat which was abolished in 1906, with no benefit, as far as could be observed, to the consumer, and a considerable and most inopportune impoverishment of the national exchequer. Wheat, as has been above pointed

out, is of all products the least responsive in respect of its production to the stimulus of price. For years together it continues to sell at a price below its average cost of production, and then for years, on the other hand, to maintain a value and price which if, like manufactured articles, it could be produced or its continued production checked at will and at short notice, could not result from the more usual interaction of supply and demand. More or less this is true with respect to all products of agriculture. If it happens that the price they command in the market of consumption is adversely affected by a rise of duty and consequent enfeeblement of demand, the only effect on the supply is to check its increase very gradually by discouraging the enterprise the cultivation of *new* lands. For those already devoted to the production must continue to produce, even at a loss; and their crops to be marketed at any price, even for a time at a price below the total cost of production.* Producers will for a time accept actual wages without charging profit or any return by way of interest on their Means embarked in the adventure, even without an adequate provision for the depreciation and removal of their plant; and so the importing price (free of duty) must continue to fall with every enhancement of duty, till a moment is reached at which some fresh demand from some other centre of consumption arises to absorb the excess of production, and bring prices up again; a thing which happens sooner or later with most commodities, and the hope of which therefore encourages producers to go on producing through seasons of impoverishment rather than permanently lose their all by allowing their lands to go out of cultivation. The vicissitudes of the sugar industry which were glanced at in Chap. V.,† afford some extreme examples of price so affected by a mononesis cherished by general prohibitory duties in Europe (for many years the only effective market) as eventually to compel the actual abandonment of the greater part of the acreage under cultivation in the West Indies.

Within the limits of a merely introductory sketch such as the present work, it would be impossible to follow up at any length such an inquiry, which would demand detailed analysis informed by special knowledge of the circumstances of each industry. The case of india-rubber would be an interesting example, for instance;† in which similar causes might work out into effects

* Marshall, "Principles of Economics," Book V., Chap. V., § 5.
† *Ante*, p. 80.

apparently contrary, to such things as wheat and sugar, but yet in their essence identical.

Whatever the commodity, when the supply tends to be excessive, a mononesis sets in, and the necessity of marketing a product which the producers abroad are practically compelled to go on producing for a series of years together, whether the production is truly remunerative or not, must inevitably throw on them the incidence of any tax imposed at the ports of the principal centre of consumption in the world. And at such times, and temporarily, revenue could be collected by the importing State without raising the price in any degree to the consumer. But on the other hand, when, as at intervals has undoubtedly occurred, the current shifts to monopoly, and consumption tends to outstrip production (and this also is a condition of things which once established remedies itself but slowly) then even a minute imposition of duty must in some form be immediately felt in the market of the country of consumption, though not by any means necessarily by the ultimate consumer. In any event it is difficult to imagine, for instance, how any possible perceptible increase of the price of the loaf could ensue upon the imposition of a tax of a few pence on a hundredweight of grain.* On the other hand, and for the same reason, it is more than obvious that no conceivable advantage to the home producer could possibly ensue as the result of any imposition of import-duty on this class of commodities, on such a scale as not sensibly to injure the consumer, and therefore the prosperity of other industries in which that consumer would be engaged, and therefore the total power of the community. To the home producer, the advantage even of a taxation sufficient sensibly to raise the prices he could obtain for his produce would be merely temporary, for it is quite clear that ultimately it must of necessity be absorbed into increased rent; and thus it is quite true that only the owner, not the temporary occupier, can possibly benefit permanently by a "protective" duty on wheat.

The days when Lincolnshire tenants drove four-in-hand to the castle on rent-days as to an aristocratic festival, were co-incident only with the time when a very restricted cultivation of the wheat-lands of the world compared with an ever-growing demand of the awakening industries of England between the years 1790 and 1840, kept on driving up prices year by year; and when the

* Marshall, "Principles of Economics," Book III., Chap. IV., § 4.

progressive enhancement of rent, enormous as it was, was always too slow to keep pace with the constant rise of price, because the intervals imposed by the laws and customs of tenancy between the progressive readjustments of rent to annual profit were proving too long for the absorptiveness of the landlord to catch up with the yearly increasing profit of cultivation. The "corn-laws," which had been imposed in the interests of that class as part of the machinery of aristocratic government in the still older days, when the wheat production of England was easily sufficient to feed the entire population, became exasperatingly oppressive as the commercial demand intensified a national scarcity, the real economic cause of which was essentially independent of them. The discouragement of importation from the few sources of supply in the world which in those days were available was then felt an intolerable wrong. These laws gave place at first to a sort of rude adjustment by a sliding scale devised in order that the riches of the land-owning class should not be enhanced with too cynical and glaring a disregard for the sufferings of the population. But this too had to be abandoned in favour of Free Trade in necessary food. All the time however, the truth was that the insufficiency of the supply of wheat in England was in reality the result of the world's inadequacy of supply, exacerbated but by no means caused by artificial fiscal restrictions. And this truth was strikingly exemplified by the undoubted fact that even after the import-duty was abolished in obedience to the will of the people, prices continued to be maintained during the few years that passed before steam came to the aid of the sufferers and began to make available the bounteous resources of distant and previously uncultivated lands.* The conditions of the problem between the closing days of the eighteenth and the middle of the nineteenth century are such as can never recur. Their persistence, relatively short-lived as it was, coincided with the conception and development of the science of economics, which was studied by British minds under circumstances which forced into the very first place in the mental horizon of its founders, problems dealing mainly with what they imagined to be essential and permanent conditions of social existence, but which are now perceived to have been temporary local difficulties attendant on a particularly protracted and intricate process of the adjustment of the supply of wheat to the

* Marshall, "Principles of Economics," Book VI., Chap. XII., §§ 3, 4, 5.

demand for it in England and Scotland. We are now in a position to estimate more truly and accurately the relative importance of this problem, and to perceive that many sequences which to Malthus, Ricardo, Mill and MacCulloch, to say nothing of the excellent Cobden, presented themselves as inevitable and all-important "laws," of universal and permanent application, the eternal truths of an abstract and impartial science, in reality concerned mere local and temporary frictions of adjustment, and contain nothing like the universal and inspired body of infallible dogma which to this day they seem to present to the minds of the more faithful disciples of those eminent gentlemen. The true and urgent problems of civilization are far more deep-seated, far more permanent, than those which mainly concern the weary controversy of Protection and Free Trade.

What is true of wheat is more or less true of all possible import-taxes on all those goods, especially food-stuffs, which, though capable of being produced in the country of importation, cannot be supplied from its resources to an extent adequate to its requirements of consumption. All these are on the one hand susceptible of light taxation productive in the aggregate, but nearly or quite imperceptible to the individual consumer, and as a corollary neither calculated to benefit at home their producers nor injure the producers of other things. On the other hand, in respect of all, or nearly all of them, any heavier rate than this cannot be imposed without considerable disturbance. And the project of subjecting such imports to such a rate of duty as would effectively and permanently operate to "protect" the internal producer in the sense of increasing his profit, practicable it may be in certain exceptional cases, would in most fail to afford him permanent benefit, while on the other hand likely to involve not only in the market for the goods themselves, but also in the conditions affecting the general economic processes of the country, very grave inconvenience. They would bring about many perturbations and frictions of readjustment, for a considerable time enhancing the cost of living, oppressing the individual consumer, and increasing the general money rate of wages without enhancing their Wealth-producing power; and incidentally tending adversely to the efficiency of the people of the country in the markets of the world. As with manufactured things capable of being produced in the country of consumption, so also it is with imported products which cannot be adequately

supplied by the resources of the country of importation. The effect of taxation varies indefinitely with the circumstances attendant on the production and consumption of each particular thing, both at home and abroad; the question of taxing any one or other of them, and of the degree and amount of the desirable taxation, is one essentially to be determined by practical results, and in respect of which little benefit is to be derived from any generalization, and none whatever from the application of "first principles."

Goods must continue to be produced in the foreign centres of supply often at prices below their real cost. For many years their producers must continue to export them, and when the chief market of consumption is necessarily one particular country, and they have to be exported thither or nowhere, it is supply and not demand which controls their value. Of course this is a state of things which will not last indefinitely. The time comes when gradually, as the result of protracted unavailing struggle, the producers in the less favoured centres of production are vanquished and the supply falls off and a fresh equilibrium with demand is established. But it may be many years before the more unfavourably situated producers will consent to relinquish the struggle, and in the meantime, in spite of all the political economy in the world, the product is inevitably forced into one inadequate market of consumption at a price below the true cost of production—a price which will only enable producers to continue to exist from year to year by gradually consuming the capital which would otherwise be recreated in the process of production. This is the oppression of mononesis as it affects the country of production.

One would have to examine the conditions of the industries, for example, of producing tea and coffee, hides, meat-products, cereals, metals, tobacco, and so forth to the very end, before venturing on any ultimate conclusion as to the incidence of any taxation levied in the United Kingdom on the importation of any one of them in particular, how far and for how long the burthen of taxation will fall upon the producer, the consumer, or on any unit in the intricate organization of commerce and distribution. From the whole subject of indirect taxation one can gather but one "principle," and that is, that no general principle can be deduced at all, though a series of tentative practical results can legitimately be inferred from the instances and examples submitted in this chapter.

It has been shown that in practice some imported things cannot be taxed at all; that the amount that can possibly be obtained from the taxation of the rest is limited in each case by the circumstances attendant on the production and consumption of each, that the incidence and burthen of the taxation of each varies also, not only with the circumstances attending the production of the thing taxed, but also with the rate and severity of the taxation to which it is subjected, in some cases falling wholly and directly, in others partly and indirectly, on the consumer, and in some expending itself variously between producers and distributors, and not perceptibly affecting the consumer at all. It follows therefore that even in the most obvious instances the working out of any problem of fiscal policy is a tentative and experimental process, the ultimate results of which elude prospective analysis. It has been seen also that in respect of a very considerable proportion of the things which are imported into a country (those, that is, which are susceptible of being adequately produced within it, and the prices of which will therefore tend to the level of the cost of internal production irrespective of the rate of import-duty) the effect of taxation on prices must be temporary only, lasting only to the time at which the home production has fully assumed the function of supplying the home consumption. From the point of view, therefore, of a general attempt to indicate the effect of the action of the State on the welfare of the citizen in levying taxation, the subject might here be left without further comment, as a practical problem of experience and expediency. But it has been thought, in view of the interest excited by the controversy of "Free Trade" and "Protection," that it might be advantageous to point the results of this chapter, by an attempt at an impartial appreciation of the current arguments on both sides; truly impartial, because the writer, not deeming the dispute vitally to concern a matter of real permanent interest to the national welfare, except in respect of one, the only permanent and important of its many predicted results, is indisposed to range himself with any pronounced partisanship on either side. But the arguments on both present such curious instances of faulty reasoning, that a few pages may fairly be devoted to their impartial investigation; a task which is attempted in the next chapter.

CHAPTER XVI

FREE TRADE AND PROTECTION

The simpler way of appreciating the merits of this involved controversy seems to be to marshal in the first place the *real* arguments for and against the proposed change of policy; and afterwards, to enumerate and very shortly examine the more numerous *other* arguments, which the supporters and opponents of Tariff Reform respectively indulge in by way of obscuring the issue and importing prejudice into the discussion.

Now in politics, necessity is the one convincing reason for modifying institutions; and therefore the soundest part of the reasoning of the "tariff reform" advocates is where they point out that the fiscal requirements of the country are such as to necessitate an increase in the total taxation of the community, which "direct" taxation is unable to afford. Nor on this head do they overstate their case. The most vital of all the reasons which make for an augmentation of the public burthens, is the continuity of the national existence, if this is held to be worth preserving. The most important factor of the not immensely remote future of the United Kingdom is probably that which politicians of all parties are disposed most carefully to ignore; which is the certain and progressive exhaustion of the coal-supply of Britain.* It may be that politicians are justified in their short sightedness: *après nous, le déluge!* But the statesman and the economist should be otherwise minded; not limit their thoughts to the interests of the immediate present, but have regard to the claims of future generations of the nation on the foresight and prudence of the present. This becomes a matter rather of political morality than political economy. If any financial expert believes that the United Kingdom will be able to support the charge of a national debt when the national supply of coal has been exhausted, he exhibits a rare and precious optimism of anticipation. But putting this consideration out of sight, the other and still more instant factor remains;

* *Ante*, p. 54.

that the national expenditure and that of the subordinate municipalities upon which devolve an ever-increasing share of the national administration are in the very act and transition of a great increase. And as further and further claims for national and municipal service are made upon the resources of the State and the municipality, they are bound to develop a still greater augmentation.

The "capitalist" classes may indulge as they will, for example, in denunciation of the progressive steps by which the collective energy and power of the State is being called upon to assume more and more of the weight and duty of caring for the welfare of the helpless and the upbringing and education of the citizens of the future. The vituperative epithets "socialistic," "confiscatory," and the rest will be hurled in vain against the inevitable series of enactments by which the collective organism of the nation is in the act of being impelled to intervene more and more in the care for the lives of its citizens and the future of the race. If the people of a country choose that these things shall be done—done they will be, and the people and not the "capitalists" are the masters of the future. From "assisted" to "free" education of the young, and from that to a certain prescribed minimum of free food for the growing future citizen; next, a comprehensive reform of the futile "poor-house" and "out-door relief" systems of the nineteenth century, in the direction of a regulated process by which the more aged and helpless class shall be entitled as a right to participate in some sort of State provision by way of pension; whether the tendency to these steps be right or wrong is no matter; the essential fact is that willingly or not, the successors of those to whom Herbert Spencer preached are going to adopt them, unlearning completely his gospel of "Laissez-faire"; and therefore some such series of changes is coming upon us, and they all will have to be paid for.

Now the resources of the State exhibit no immediate signs of actual decrease. The "penny of the income-tax" seems to maintain, even slightly to augment, its annual yield in millions, but this is obviously by virtue of the impetus to investment derived from past accumulations of Means. The momentum still continues, though the generating force visibly slackens.

So the question is most instant, whence is this large addition of expenditure to be derived? Direct taxation has in its very nature insurmountable limits of productiveness, at the

limit, already well within sight, where Capital begins to escape from employment in the country of the higher impost, and transfer itself to the land of the lighter tax. The symptoms of the commencement of an exodus are already observable. Even the taxation of rent, and that on the transmission of property on death, the most susceptible of future extension, have their similar limit of productiveness, where they begin to cross the line where the richer class find it appreciably more advantageous to die abroad than in England, having first changed their forms of investment into foreign in preference to British securities.

If the process of change in the mode of investment of Capital owned by British subjects, which has already begun, comes to extend itself, the result must be a shrinkage in the industry and commerce of the country; so that even these at first sight apparently inexhaustible mines have their own very inexorable limits of yield. Therefore the argument that it is necessary to "broaden the basis of taxation" as they call it, is a sound one, though the applicability of it to the momentary fiscal necessities of this year or next year may not be apparent.

"Indirect" taxation too has been shown to have similar limits of productivity. It has its double aspect, according as it is protective or productive in its purpose and effect; and on the whole, and in the long run, these two characteristics are alternative and conflicting; the more protective, the less productive, and *vice versâ;* but yet, in practice, no tax will ever be exclusively the one or the other, even the most protective tax retaining a very considerable productivity, as is abundantly exemplified by the ultra-protective and yet in the aggregate highly productive fiscal system of the United States; while a tax imposed "purely for revenue purposes" (the favourite cant expression of both sides) will, on the other hand, invariably be found to involve subtle effects on demand and the possibilities and opportunities of supply—effects which on the whole will often tend to a result protective of some form of internal industry; and this too, although there are certain commodities susceptible of a minimum import-tax which seems to have no immediate and direct protective effect, and therefore would impose no perceptible burthen on the consumer. All these, it is plain, are from a revenue point of view legitimate items in a long list of subjects of taxation to embrace which it is proposed to "reform" the British tariff. Admit the necessity for a considerable increase

of the public revenue, and you are driven, say the tariff reformers, to adopt a new scheme for raising the necessary funds; and then, say they, we defy you to invent any alternative plan by which you can provide what is needed. This argument therefore, *valeat quantum*, seems a sound one, open to a whole series of objections, the quantitative value of which will be examined shortly, but on the whole, valid as far as it goes, and therefore this is placed in the forefront of the array of those reasons for tariff reform which are worthy of serious attention.

The next set of reasons, that which is based on the *protective* effect of indirect taxation, are more controversial and more difficult of appreciation. But there is one which deserves special consideration; and that is the one indicated at some length at the end of Chap. XI., and which it is unnecessary to repeat at length; the beneficial effect of a tariff in the direction of increased employment for the productive energy of the subjects of the State imposing it. A duty on any article previously admitted free, must in the first place cause an enhancement of price to the consumer, and next an increase in the profit of those whose capital is embarked in the production, and an increase of wages to those whose energy is employed in producing it. Now of these three results the first is an evil, and the second and third are temporary benefits purchased by the first, which though not in themselves worth the sacrifice imposed by it, are yet of a nature to partially compensate the nation as a whole for a time, if not permanently, for the sacrifice involved. It is not universally true* that every consumer is a producer, and that what a man will lose in the increased cost of his livelihood as a consumer he must have repaid to him in the increased price paid for his labour as a producer; but it is true to a certain extent, and to that extent this incidental benefiting may be set off against the general loss to the community involved in the temporarily enhanced cost of the necessaries and luxuries of life. In respect of the very large and varied catalogue of the things which could be produced (given the adequate inducement) in the country of importation, it has been demonstrated that a duty essentially protective in its results will occasion disturbances of values and consequent increase of profits and of the rate of wages, only during the interval needed to effect the necessary readjustment of the functions of supply within the country; a matter in

* *Ante*, p. 113.

respect of this class of commodities of but a very few years at most, in some cases even possibly of a few months.

It is far different with most of the things which can be produced in the country only to an extent inadequate to the demand; but in respect of this class, no protectionist is as yet prepared to advocate the imposition of an import-duty so heavy as to have any directly protective result; and practically therefore, from this point of view, taxation of this class may be dropped out of this part of the argument. But with respect to the first class; things which we *are* able to produce; the main solid and permanent benefit must arise from the greater degree of employment both for Capital and Labour within the country; which would be the one permanent economic result of the change. So clear is this, even to "Free Trade" stalwarts, that they do not attempt to dispute this part of the protectionist case. But there are counter-arguments, some of great weight. Some, it is true, are passing silly. As, for instance, the mere sneer; that of inventing for instance, the ridiculous case of "protecting the growth of gooseberries" in order to "further the manufacture of British champagne" and such like silly devices of shallow rhetoric which carefully avoid the consideration of the staple manufactures such as the metal industries noticed page 204, *ante*, the effect on which would be too obvious to be denied. For it must be that in such employments the more the foreign supply is excluded, the more effective will be the enhancement of the domestic industry and the greater the absorption into productiveness of the Means and Energy of the country. Now to the mind of the writer it appears that this is an overpowering consideration of expediency, deriving its force from the permanent amelioration of the economic condition which it promises. With this motive alone does it seem permissible to venture on so difficult and disturbing an experiment as the readjustment of taxation.

To the counter-arguments must be given very full weight; and among them are some the force of which demands careful estimation; but the real strength of the above plea has not been adequately realized even by the advocates of tariff reform themselves. It has been the custom with them to contrast the statistics of "unemployment," as it is called, of the United Kingdom with those of nations whose policy is frankly protective, Germany and the United States for example, and which happen to have succeeded to the greatest extent in displacing British

industry. There is, it is true, on the average of years, an advantage in this respect to protective countries, but this seems at first sight a very slight one. A certain margin of "unemployment" in the skilled trades is, it is agreed on all hands, inevitable in every industrial community.* It represents only the normal proportion of worklessness incident to the occasional changes of job of skilled men. That necessary proportion has been put at two per cent., and statistics seem to show that in Germany on a run of years the average percentage rises to something between four and five, and in the United Kingdom to about seven. Put otherwise, that whereas it would be necessary anywhere that the skilled-trades workman should lose, say, one working week in the year, the German workman is found, on the average, for some reason, to lose, say, two weeks and his British brother from three to four. The difference between these hardly seems to justify the immense dislocation and friction that would be involved in a complete change of fiscal policy. The real evil to be remedied is infinitely more far-reaching. What has to be cured, is not the comparatively insignificant waste of time of the regularly employed (even though this when translated into thousands of pounds may mount up to an aggregate of annual loss most formidable); but the immensely disproportionate excess of the class who by reason of the restriction of opportunities of employment, have degenerated into the category of the unskilled and casual, and are forced to stand outside of the regular efficient industrial army—the irregulars of labour, crawling always between the alternative precipices of destitution and criminality, and out of whom in due course are evolved the still more pitiable and dangerous host of the unemployable. It is in the permanent improvement of the status of these that lies the real urgent problem of the future of the country. Statistics which deal only with the recognized trades, their earnings, their rate of wages and their average yearly percentages of wasted time, afford no light on this latter and greater problem of the degradation of the mass; but the mass we dare not neglect, for it is by it that the population of the future is being procreated. The main hope of

* Trade Union Statistics as taken from Board of Trade Returns and set out in "Work and Wages," Brassey and Chapman, 1908 edition, are for the decade 1894—1904: Percentage of Unemployment in Engineering, Shipbuilding, and Metal Trades, 1895, 8·2, dropping to 2·4 in 1899, then rising each year till it reached 8·4 in 1904. For other trades, 4·2 in 1895, dropping to 2·3 in 1899, rising to 4·0 in 1904. With regard to unskilled labour there are no reliable statistics.

the organism of civilization therefore lies in the progressive incorporation of those who would otherwise form this sad irregular force into the ranks of the recognized battalions of industry; and therefore it is, that one clutches at any reasonable way which promises to result in a permanent extension of the opportunities of regular employment, adequate to embrace the greatest possible number of the citizens. This object it is clear can be served by some fiscal policy which, whether it costs the people a little more or a little less at the outset or even in the long run, will assist the process of the absorption into the higher class of regular employment, of those who without the opportunity would be destined to exist in the lower one of casual and unspecialized labour; it is only by such a bettering of conditions that one can impede the course of further degradation.

Hewers of wood and drawers of water, workers occupied in functions not mentally differentiated from those of the horse and the ox, there must always be in every community. This is unavoidable; the pity of it is, rather, that there should be so many qualified for a higher fate than that of the Gibeonite, to whom the opportunity is now denied of rising in the scale of existence, but whose status might be improved were regular employment for skill and aptitude more generally available.

One is driven back always to the concrete instance. An industry supplying a great home demand, say that of those who make boots or glass or locks or razors, is supplanted by a foreign supply of similar articles at a price at which the things cannot be produced say, in England or Scotland, and could not be produced in the country of their origin if the price at which the surplus product can be profitably exported were not greatly surpassed by the local value which protection confers on what the producers are able to put on their own markets. And so it necessarily occurs that English and Scotch makers of such things are gradually deprived of employment, and forced into the ranks of the casual workers, pushing out again from even these their equivalent in number down into the gulf, at the bottom of which are the criminal, the pauper, and the unemployable. To what extent, then, is it worth while to incur for a time the evil of higher prices if necessary, in order to arrest this process of degradation? The answer of Mill is simple in the

extreme. It is never worth while, says he.* The only legitimate economic function of mankind is to "buy in the cheapest market." So long as man continues to do this, the world over, "All is for the best in the best possible of worlds." The fact that a particular industry in a particular country can be undersold by the surplus productions of another country is *ipso facto* a condemnation of that industry, and it is high treason to "humanity" to wish it to survive and waste the productive power of the nation on a process for which the nation that foolishly allows it to exist is comparatively unfitted: that would be to aim at the survival of the more unfit; "which is absurd."

Capital and Labour will betake themselves, says innocent Mr. Mill, to "more suitable employment." Do not interfere to hinder their escape from the less profitable industry by protecting it in any way. And this, say the adherents of this philosophy, ought to be an all-sufficient consolation to the misguided people who wish to persist in making boots and locks and razors which can be supplied better and cheaper from the surplus products of America and Austria and Germany; and right-thinking philosophers will discourage the insane persistence of such outclassed producers and do their best to induce them to acquiesce cheerfully in their own impoverishment and extinction. They are to have the comfort of considering that by "transferring themselves to more lucrative employment" (how this is to be done, the philosopher never takes the trouble to explain), they will be promoting the general economic efficiency of their country. But the ugly naked fact is that neither the Capital nor the Labour so employed *can* transfer itself, and that the more lucrative employment *is not* to be obtained, because each branch of industry in turn has in each country its own limit of productiveness, inexorably fixed by the world's demand for the things it brings forth, and it is already producing as much of these as the commerce of the world can absorb. And therefore there is no room whatever for an increased production, say, of steel rails or cotton-cloth or worsted or any of the other things for the

* Duties on importation may then be divided into two classes: those which have the effect of encouraging some particular branch of domestic industry and those which have not. The former are purely mischievous, both to the country imposing them and to those with whom it trades. They prevent a saving of labour and capital which, if permitted to be made, would be divided in some proportion or other between the importing country and the countries which buy what that country does or might import. Mill (quoting from his Essay on International Commerce), "Principles of Political Economy," Book V., Chap. IV., § 6.

making of which it might be imagined that this country has some inherent superiority, beyond the amount which the demand of the world for the moment affords the opportunity of supplying. And therefore the vanquished in the economic struggles cannot transfer themselves or their labour or the capital they have expended in the appliances of production. We cannot fit ourselves to make more ships by producing fewer locks, and the other peoples of the world who emulate us in producing cotton or worsted or ships take good care by the imposition of duties and restrictions, that we shall not encroach on *their* opportunities by under-selling them in our turn in their own markets for these things. And as each industry goes under in the struggle of growing competition, there ensues in fact no readjustment in obedience to Mr. Mill's decree, substituting for the decline of a failing industry an enhanced productiveness in another. Nothing of the sort ever occurs, and nobody but the pedantic theorist ever imagined that it would. The "transfer of Capital and Labour" to more lucrative employment is a figment of the imagination of an *à priori* philosopher, who enjoyed the advantage of a serene ignorance even of things as they were in his distant day, and had no conception of things as they were going to be. What happens is a waste of the Capital and skill already devoted to the perishing employment, and nothing else whatever; a diminution of the total wealth-producing power of the nation, while the possibility of a correlative increase in the productiveness of its other industries remains as it always has been, a theory incapable of realization.

And it is after all a question of how and in what degree it benefits the people of a country that things should be bought in it as cheap as possible. One would wish to see this worked out in pecuniary results to the ultimate consumer. Suppose, for example, you have succeeded, at the cost of extirpating the manufacture of locks and reducing certain Staffordshire villages to destitution, in enabling ironmongers to supply builders with a set of locks for workmen's dwellings, which will cost the builder 3*s.* instead of 5*s.* per house! It is worth while to ask, by how much will the rent of a tenement in such a building be diminished to the tenant per week or per year or per century as a consequence of such reduction in the cost of production of the house. And if the ultimate consumer cannot thus reap a perceptible benefit, where, in the name of all that's pedantry, does the

gospel of the "cheapest market" practically come in? Does it not after all just come to this, that in the domain of economics all generalization is ridiculous? Each variety of commodities has its own sequences of laws of supply, demand and price, and the expediency of taxing any one thing must be judged of by the conditions affecting that one, and cannot rightly be estimated by the application of any "universal law" whatever.

From these two main arguments for a system of general import-taxation one now passes to a third, which seems to possess far less cogency. It involves propositions and predictions by way of argument, which appear to lie on the borderland between the real and the sham, not absolutely to be dismissed as worthless but assuredly not to be relied on as convincing. This is the argument based on what are known as the "Imperial" and "International" workings of the adoption of "tariff reform." It is suggested that a general system of imposition of import-duties would enable the State to negotiate reciprocal arrangements with the governments of foreign countries on the one hand, and of British colonies on the other, which in their combination would be made to tend towards the expansion of the commerce of the United Kingdom in particular, and also tend to the general advantage of the Empire. This is, of course, Protection for Protection's sake, the direct negation of academic Free Trade; a striving to deflect the commerce of the world from its natural course in favour of particular sets of producers and incidentally to the prejudice of particular sets of consumers. It is amusing to note that almost the first practical exponent of this heretical notion (not quite the first, because the Methuen treaty with Portugal was an earlier example of the device), was the great Mr. Cobden himself, who was instrumental in bringing about an arrangement with the French, by which the British State bound itself to admit certain French wines at a reduced rate of duty, in return for a mitigated taxation in France of certain English manufactured products: (the benefit of which, by the way, according to all orthodox doctrine could in no sense accrue to the English producer, but must as an inevitable necessity have been entirely absorbed by the French consumer). It is sad to think of the outrage to which, in negotiating this particular treaty (which, by the way, failed entirely to secure any permanent advantage, and was promptly denounced), Mr. Cobden was subjecting by anticipation the cherished doctrines and convictions

of the "Club" that was thereafter to be founded for the worship of his name.

Now to a certain very limited extent it *is* true that the course of the world's demand can be influenced by conventions between States as to rates of duty on specific articles of importation, and it is also true, that for sixty years or so British statesmanship has been precluded from entering into such arrangements by the rather comical orthodox pedantry which forbade "on principle" the giving of any preference in British markets to the produce of any one country over that of any other. Protection was "a monster of such hideous mien, that to be hated needs but to be seen." And even the Brussels convention, by adhering to which it was attempted five years ago by British statesmen (in the long run in vain), to preserve for a short time the life of a British colonial industry, is already in the course of being abrogated in deference to "conscientious" objections to impose a countervailing duty on the produce of a particular country which insists on paying bounties on export. But so long as all the other producing countries in the world persist in their heresy, it seems futile to expect that any appreciable benefit will ever be allowed to accrue to British industry in the way of opening to it more extended access to the markets of countries which have competing industries of their own. The most that can be hoped for is the modification here and there of some tax absolutely prohibitory, and in other instances the promotion of a very limited number of products of British manufacture from the category of that of a less to that of a more favoured treatment: a small matter, in truth, because no foreign nation can be induced by its government to import anything of which it has not commercial need, and those things of which it has such need it will continue to import very much in despite of all endeavours of the State to hinder their importation. Certain varieties of yarn, for example, are needed by the German manufacturers. Those they have to buy in the country which produces them best, which for the moment is Britain. And the people who want these things take great care, without any intervention of a special treaty of reciprocity, that the Imperial authorities of their own country shall do nothing to hinder the importation ; while on the other hand, no "most-favoured-nation treatment" of British *cloths* will be allowed for one moment to interfere with the sale in Germany of the things to produce which yarns are imported.

It is as silly to imagine for a moment at present that any foreign nation is willing to imperil the prosperity of its own industries, as it was in the "fifties" of the last century, for Mr. Mill and Mr. Cobden to prophesy that the obvious advantage of "buying in the cheapest market" would induce every nation to forbear for all time from setting up in competition with the British manufacturer industries of its own. Universal free trade has been proved to be a chimera. In no foreign country at this moment is there indicated the faintest tendency to adopt it, except in such few as have not yet felt the need of establishing manufacturing industries. And these in their turn, as their equipment of civilization progresses, are certain to complete it as far as they are able, by the gradual institution of fresh industries aiming at the amassing of means, and by introducing where possible new departments of production and distribution among themselves. This implies, of course, the gradual adoption of some degree of protection by every State in the world in turn; for it is freely admitted that infant industries at least must be cherished by protective duties. And as the infants grow into adolescence they indignantly refuse to be deprived of the food on which they have been reared. And as far as one can see, the world-system of Free Trade among the nations which Mr. Cobden in his day believed was already beginning to realize itself, and would within very few years become universal, is as likely to be put into practice as some modification by treaty of the law of gravitation, to the effect that masses should henceforth attract each other in the inverse ratio of the cubes instead of the squares of their distances.

The favourite argument of the tariff reformers that we ought to have a general tariff, in order that we may be able to offer partial exemptions from it as a bribe to induce other nations to admit some of our products at lower rates than those which they are charging to our competitors in their market, is therefore a proposition which, though it looks pretty on paper, is calculated to prove very illusory in practice. It is the fashion to point it with telling references to the decay of this or that British industry, "ruined by foreign competition." On this point a wide distinction has to be drawn between competition in our own market and that with which we are encountered in neutral or in protective markets. The former is remediable, if it is worth while to remedy it, by import-duties designed to insist that recourse

should be had by our own consumers to the efforts of our own producers to prevent our own people from buying in the cheapest market in order that they shall not thereby ruin each other. The latter is utterly irremediable by any device whatever. You can make the British workman get his boots from Northampton instead of Connecticut or Austria, but you are not in a position to compel the Brazilian to buy linen from Barnsley instead of Saxony; and indignation is entirely wasted when it points to the wickedness of the German, who perversely insists on getting sail-cloth from Versmold or Stettin instead of from Dundee, or for the matter of that with the Norwegian who finds it pays him better to make steamers than sailing ships, and is giving up the importation of sail-cloth. That is an injury you have to "take lying down" whether you like it or not. Many of the bitter complaints of failing markets thus assume the form of lamentations over the inevitable; but on the whole, and as far as regards our external trade, no real additional potency in negotiation is to be anticipated from the adoption of any sort of protective tariff whatever. The day for "commercial treaties" that will be economically effective has passed away.

Nor is much more permanent economic result to be anticipated from the much advocated sentimental British mutual Protection by means of which the "Empire," it is suggested, could be induced to build a protective wall around itself, so that its component nations should be driven by inter-State convention, to deal with each other in preference to deriving their supplies of goods from countries under other flags. As a matter of fact, every British colony which disposes of its own destiny is frankly protectionist, and imposes quite effective prohibitory duties on all British imports which compete with its own products; and in no one of them do the people cherish the slightest intention to depart from this scheme for building up their own prosperity on the basis of their own demand. So that, as far as concerns "Imperial Preference," though no colony would refuse a theoretical concurrence with the idea, or to give effect to it on paper by enacting an ostensibly differential duty against competing goods of unbritish origin, the practical effect would prove essentially nugatory. In truth the suggestion is equivalent to a proposal to build up, outside of the formidable wall of protection which each colony has already erected round its own industries, and by which each intends to keep out all British manufactures

that will compete with them, another smaller wall against foreign competition, for the purpose of barring access to the foot of the first. This somehow suggests the story of the gentleman who had two apertures made in the door of his stable, one for the cat, and one for the kitten. The kitten's door might be shut, and then if you can only prevent her getting in by the cat's door! . . . The inner fortress in itself is of course quite formidable enough to bar access to all effective competitors alike.

No self-governing nation would tolerate for an instant such an oppression, for example, as that which was practised on India in the interest of the cotton-weavers of Lancashire.* When a community has rightly or wrongly embraced a protective system in the supposed interests of its own workers, it may be trusted to see to it that it will be effective for its purpose; and the self-governing British nations beyond the seas are progressing with great rapidity in the direction of so perfecting their own development in every department of industry, as to extend to the utmost of their power the opportunities of employment for their own population. As each fresh industry comes into being, those embarking in it will claim and will obtain their share of profit, and their participation in the benefits which as protectionists they anticipate from the exclusion of competition, whether British or foreign; and it is inconceivable that any one of the States should renounce the right to start or to protect any fresh internal industry which promises to confer on the opportunities of its citizens a commercial chance of appropriating an additional share of the Means of the world. Here again it is impossible to say the argument is a "sham" one. There are honest people who believe in it; and there undoubtedly are instances (and the industry of marine transportation is apparently a very important one) in which something effective could be done to increase the earning powers of British Capital by securing for it some advantage in some department of British colonial commerce.

The difficulty is to see how in any circumstances a corresponding commercial advantage can possibly be conferred on the colonial partner. Unless the advantages are reciprocal, no convention for conferring them can possibly endure. Now the products of the colonies capable of being absorbed by the United Kingdom consist, as things are, of food-stuffs and raw materials. And of each of these any taxation at British ports will probably

* *Ante*, p. 178.

be more or less disadvantageous to home industry and commerce. Not necessarily or universally so. Each variety is subject to its own conditions, far too varied and too intricate to be analysed in a rudimentary work like the present. But in respect of one, the most important of these products, namely wheat, without providing for some taxation of which it appears almost impossible to conclude any reciprocally advantageous convention with the British colonies, Free Traders are quite right in objecting, that no differentiating duty against unbritish producers that could be imposed in England could benefit the growers of Canada or Australia. To begin with, no import duty would be tolerated by the people of this country which would even threaten seriously to increase the cost of this essential of life. The project is incapable of being carried into effect.

There is no doubt a certain minimum rate on wheat which can and ought to be charged, which would not raise prices perceptibly*; and under the normal condition of the wheat supply of the world, such a rate imposed in the ports of the principal centre of consumption will generally fall upon the producer, who is unable nicely to restrict his output to the volume of effective commercial demand for the time being. But beyond this, nothing can be done, and, what is more to the purpose, if anything were attempted it could effect nothing that would be of any advantage to British producers beyond the seas. Assume for a moment that Indian, Canadian and Australian wheat were favoured in English and Scottish ports by a differential rate against the produce of the Argentine or of Russia. What will this result in that can benefit the people of the Dominion, the Commonwealth, or the Indian Empire? Assuredly nothing. The outcome of the attempt would be simply a redirection of the streams of supply. The grain-ships from Odessa and Buenos Ayres and Memel would converge on Antwerp, Havre and Rotterdam instead of London, while those from Melbourne and Quebec would be directed exclusively to British ports. The price obtainable by the producer, which is a world-value, determined by world supply and demand, and translated into money, would be unchanged, and therefore the gains of the producers in the British dominions, which depend on world values, would not be enhanced. While on the other hand, British commerce as a

* *Ante*, p. 282.

whole would suffer by the artificial restriction of the market of importation, and by the lessening of the ties which link the commerce of the United Kingdom with that of some of the most important markets of consumption of British manufactures, which are precisely unbritish wheat-exporting countries. More or less, the same considerations apply to other things which Britain beyond the seas exports to the mother-country: food and raw materials, import-taxation of which must always be resisted at home, and is capable of conferring but a shadowy advantage at best on British producers abroad. And the truth is, that from the "Imperialist" even more than from the "International" point of view, this argument of the protectionist, though appealing to a commendable Imperial sentiment, appears illusory. On the other hand, the notion that the British Empire exists by sufferance of the other States of the world, and must abstain from regulating at its own pleasure its own commercial arrangements for fear of incurring their resentment, even though only by adopting principles which foreign nations themselves universally adhere to in the management of their own affairs, merits no serious attention, however eminent the gentleman who advanced it.

Of the valid reasons against the adoption of a system of extended taxation on imports, the most cogent is the one above adverted to (partial, in that it is applicable to the whole of class 2,* but not to class 1). That is the risk of any sort of interference with the free access to this country of raw materials of manufacture at the lowest world prices, and the great objection to any duty which can raise the price to the consumer of necessary food, as distinguished from luxuries; for food, like shelter, is a raw material of labour, and its price, like rent, an ingredient in the cost of all industrial process.

Now any appreciable rise in the price of the necessaries of life and industry must itself be a national misfortune. To begin with, it must not be lost sight of, that those who would be the chief temporary sufferers by the changes are the masters of politics, and that patience is not a distinguishing virtue of the aggrieved voter. A "fiscal policy" may be one which in the long run is bound to prove beneficial; but unless it is sure of commanding the steadfast adherence of those who stand to lose by it at the outset, even for a few years, their patience will become exhausted, and the set of politicians who have been entrusted with the task

* *Ante*, p. 277.

of putting into practice what at the outset their masters may have quite eagerly given their "mandate" for, will find that as the "shoe begins to pinch," the assent of the public is getting withdrawn. Matters of finance should be, like foreign policy, regulated according to fixed principles of administration outside the range of the competition of politicians for place and power. The fickleness of electors has, at the moment of writing (May, 1908), received striking exemplification, and this indecision of the population, which is fatal to any continuity of State policy in any department of public affairs, is specially so in respect of national finance, the workings of which demand above all things fixity of intention on the part of the public will, and a sufficient patience to induce that will to sanction persistence in a policy, the inception of which must be disturbing, and must result in a certain degree of pressure on and loss to individuals, however dexterously put into practice. *Valeat quantum*, the above statement is an objection to any sort of change of fiscal policy, however beneficial it might ultimately prove to be if allowed to be pursued to its normal ultimate conclusion. The public is impatient, looks for immediate benefit, and is indisposed to tolerate even a demonstrably transient inconvenience.

In a work by the late Sir Arthur Helps, this concentration of the minds of people on the immediate things of to-day, in disregard of the interests of the future, was exemplified by the fable of a number of persons gifted with prophetic instincts, who were resorted to by people for their sooth-saying, and of whom those by far the most in request were the men who had the gift of direct prophecy only for a few hours. Those whose prophetic foresight operated only at the expiration of a few weeks from the immediate present were sought after by a much smaller class of consultants. Now and again an occasional client dropped in to avail himself of the service of a prophet whose power of prediction commenced after the expiration of a year. But the real, far-seeing world-prophets, the sooth-sayers of statesmanship, those who had the power of foretelling events through the ages, were left in complete neglect, and no man had ever been known to avail himself of their services. So it is with politics; our interest in the claims and rights of posterity affects nobody, arouses no enthusiasm; *fiunt tantum declamatio*. And this is a true objection, as far as it goes, to every mode of amendment of institutions, the disturbance of which must cause temporary

inconvenience to a class sufficiently large to make its dissatisfaction and impatience politically formidable. The only hope therefore of being able to attain any national benefit by the adoption of a system of the extension of indirect taxation, lies in a quite moderate but still effective rate on manufactured articles which can be produced in the country itself, a rate which, whether we like the word or not, must to some extent be "protective" if it is to increase employment for labour; while so far as revenue is concerned this will have to be supplemented by a comparatively small impost in the nature of a market toll, productive in the aggregate but not appreciably protective, on other articles of necessary importation; a "tariff for revenue only," which must be levied upon a carefully selected list of other imported things (in the main food and raw material) which the country is not in a position to produce adequately to the demand. Beyond these somewhat narrow limits it appears to the writer that it is politically impossible in this country and at this time to put into effect any proposal for "tariff reform" whatever.

It is now proposed to consider remaining objections, some of which are well worthy to be weighed, while others merit attention as curiosities of fallacy. The first and most obvious argument is that which one man in the street is competent to address to the other, and he to appreciate. It is, that the effect of a duty which is "protective" is to enhance the cost of producing all things by the increased price of things needed by those engaged in production, and that thereby protection must impair the power of British industry to compete for the supply of foreign markets, and the opportunity of employment for the people who make their living by it.

At first this seems obvious. But consider how the conclusion is directly contradicted by the notorious fact that the people whose competition with the British industries in neutral markets is most formidable, are precisely the subjects of States which have adopted this system of protection of their own productions to the fullest extent. This inconvenient fact imposes on those of the Free Traders who cherish their own reputation for truthfulness a certain hesitancy in the enforcing of this argument. They are quite sure it *ought* to be true, but somehow there is the glaring contradiction of actual indigestible fact, and so this thesis of the economist occurs rather in the course of popular political controversy at election times, than in the

more serious polemics of academic discussion. The reason of this discrepancy between the orthodox theory and the actual phenomenon is not far to seek. It is, that the argument neglects the quantitative analysis of results, the degree of effect, that is to say, of variation in the price of manufactured articles on the necessary wages of those engaged in producing other articles. The truth is that this forms quantitatively so minute a part of the "general cost of living" that its influence disappears in the face of the other workings of "protective" systems.

There is one country, in which the zeal to establish native manufactures, and impatience at an outward drain of gold, induced the imposition of a tariff almost entirely prohibitory, with the result of driving the population into a chronic state of disaffection, always ready to blaze into revolt. But even in Portugal, an apparently prohibitory tariff somehow produces some internal benefit; and States informed by a wiser experience all refuse to fix their import-duties so high as completely to stop importation, and thereby to cripple the yield of their indirect taxation. In no country in the world, except for a certain short interval in the United States of North America, has the government habitually exacted on the whole from its people a revenue in excess of its normal expenditure; and the consequence is, that a tariff even ostensibly protective, and therefore not imposed with the direct purpose of enhancing revenue, has always the result of lessening direct taxation. For it is this, not the indirect, which presses the most heavily on the less wealthy classes. And the solution of the apparent anomaly is that indirect taxation relieves the burthens on the producing classes by lessening direct taxation by more than it adds to the other part of the costs of life. The cotton-operative in England, for example, might be asked twopence more for each pair of boots for his children, twopence a week more for his sugar or tea, a shilling every two years on a suit of clothes, or a penny for a shirt, and so on to the end of his modest needs and luxuries—on the whole, burthens that may be borne by a little curtailment of his expenditure on beer. But it will need a prodigious aggregate of these increases to equal the shilling or two a week extra rent which is now occasioned to him by the incidence of local rates levied to supply State expenses which are at present wrongly thrown on the municipalities. In addition to this, as has been shown in the last chapter, a scientific reformation of indirect taxation is

capable of application, producing large sums in the aggregate, which can have no protective effect whatever, and not tend to enhance the cost of production at all, and therefore would not in fact hamper any industry by calling for any increase in the wages necessary for the subsistence of the worker.

The argument therefore is not consciously disingenuous, but yet it is difficult to believe that those who raise it really attach to it in their own minds the importance which they ascribe to it in debate. The thesis is generalized, so as to appear incapable of concrete application, and intricate with a series of subtle and involved fallacies. It is difficult to formulate in general terms, but in words it may be stated somewhat thus: "Take the nation "as a whole. Consider how much more money you are going to "make the nation pay in the aggregate for a vast number of things "of daily use that go to make up the sum total of its necessities, "and, as a corollary, the general resulting lessening of its "economic power of producing for the supply of neutral markets, "when by increasing your indirect taxation you increase the "aggregate of the sum you must absorb from the national "industries." In this argument are involved the following fallacies: first of all, the conception of "the nation" as an entity different from the aggregate of the individuals composing it.* Secondly, the confusion between "money" and "Wealth."† Thirdly, the tacit untrue assumption that the means exacted from the people of the country and appropriated by the State constitute "Wealth" in some manner lost to that country and disappearing, instead of being what they really are, the subject of a temporary redistribution of Means, which must in due course be again redistributed among the people of the country. The answer to this objection is therefore threefold. First and foremost, taxes are an appropriation of Means, and not a subtraction from Wealth. A portion of the Wealth produced in a country has always to be consumed by being acquired in exchange for Means under the directions of those employed by the State in the administration of the general concern of government. But that portion will be neither more nor less because of some fiscal readjustment of the channels through which are derived the Means which are destined when so collected to be converted into that proportion of the Wealth

* *Ante*, p. 241.
† *Ante*, p. 211.

which the State thus needs to consume. The wealth-producing power of the nation therefore is unaffected by any aggregate temporary diversion of Means which does not impair the Wealth-producing capacity of the aggregate of individual producers; and this and not the amount of Means available at any moment to purchase Wealth, is the measure of the economic potency of the people of the country in the commerce of the world. And that is the real and sufficient answer to this somewhat abstruse objection.

Another theoretical argument which is more persistently urged, and which the Free Trade doctrinaire honestly believes to be conclusive, is the one already incidentally dealt with;* the assumed necessary dependence of the export trade of a country on its absorption of importation. It is none the less firmly held as a primary article of faith, in that it is entirely unsupported by any experience whatever; and indeed the facts of the import and export trades of France and Germany, the most rigidly and scientifically protected countries in the world, and of the United States, the exportations of which for the last twenty years have risen from 716 million dollars in 1887, to 1,880 million dollars in 1907, while the importations have only risen from 692 million dollars in 1887, to 1,434 million dollars in 1907 (an average increase of 83 million dollars per annum in exports and of 67 million dollars in imports for the last ten years) seem to indicate some very deep-seated error in the reasoning which leads to this conclusion, and the error may be traced to the same initial fallacy of confounding Wealth with Means. A further and still more glaring untruth is implied in this objection, which is, that the economic welfare of the people of a nation is necessarily indicated by the expansion or contraction of its exports and imports, without taking into account the internal trade of the country, for the estimation of which no returns are available but which in volume and importance undoubtedly immensely transcends its external commerce. And in truth we have here a fallacy which is akin to that of the old mercantile theory which Adam Smith exploded—the nonsense of the "balance of trade." "How are people going to pay you for what you want to sell to "them, if you refuse to purchase from them to the same extent? "They cannot pay you in money, there is not enough money in "existence for the purpose. *Therefore they can only pay you in*

* *Ante*, p. 131.

"*goods*, and if you interfere with their power of supplying you "with goods, they will not be able to pay you at all, and therefore "will not be able to buy *your* goods, and your foreign market will "be lost." By dint of incessantly repeating this train of reasoning, this school of thinkers has managed to persuade itself of its validity, the experience of the great majority of civilized communities to the contrary notwithstanding. The answer is as obvious as possible, and has been indicated at the very commencement of these chapters at pp. 13 *et seq.** Neither nations nor communities conduct commercial operations by way of barter or exchange of goods at all, nor by direct settlement of mutual liabilities. That is one of the many modes by which indirectly balances are, so to say, adjusted in the clearing-house of the world; but the trade of any one given country with any other depends on the commercial demand in that one for the products of the other—a demand which will satisfy itself without any reference whatever to the cross-demand in respect of other goods between these two countries in particular. The importation by country A. of the goods produced by country B. is paid for by the acceptance of bills of exchange or the creation of other evidences of indebtedness, and these in their turn are satisfied, often most indirectly, by some transfer of rights and claims whether arising from the commerce of goods or otherwise which will have arisen between A. and C., or by still more indirect transfers of value arising between countries D. and E., and so to the end of the alphabet. It makes no difference in the operations of the universal clearing-house of commerce and finance in whose favour such obligations have arisen or by whom they have been undertaken. The only things noted are by whom they are presented for clearance, and the sum totals which each member of the house will have to receive or pay in the aggregate. If a country, for instance, restricts its imports of manufactured goods, there will be a corresponding increase in its importation of raw material; and if its internal commerce is enhanced, additional Means will arise therefrom, which will be equally available with Means arising from external commerce to be transmuted into values capable of use in that clearing of the obligations of the whole world which commerce and finance are unceasingly effecting.

This is done by the transfer of values available by way of

* See also p. 126.

equivalent in exchange for such commodities as the people of a country find it advantageous to import, and which will similarly be handed over to it in exchange for such things as other nations find it advantageous to import from it. Take for example the trade relations between England and Germany, as a concrete instance. Many German products (which by the way, according to the doctrines of convinced Free Traders ought to be produced at such excessive cost owing to the severity of German import duties, as to be unable to compete in the British market with the home products of Free Trade Britain) are as a matter of fact so cheaply produced as to supply the English market abundantly and somewhat to excess. The English exports to Germany,* mainly coal and raw material, are less in monetary amount, though very considerable; but the inequality of the balance in no way impedes the exportation of German goods to England, which are paid for in thousands of ways in complete independence of the counter-exports of goods owned by English subjects (not at all necessarily British products), to supply the needs of Germany, and in the first place by drafts on what is produced from British exportation to all the other countries of the world.

Commerce obeys the laws of world-production and world-consumption, and what it brings is capable of diversion by the simplest possible financial manipulation from any one country to any other at will. The demand, say, for coal or yarns or other things which the Germans find it convenient to obtain from Britain, would continue a demand, even were the last German manufactured article excluded by a British tariff more stringent even than that which is imposed in Lisbon; while so long as we find it convenient to avail ourselves of the industrial productions of Germany we shall continue to do so, and for no longer; no, not even to purchase the huge benefit of exporting British coal to enable German manufacturers to manufacture things with which to compete with our own producers in our own markets. When British coal becomes so dear as not to pay the Germans

* The value of British exports to Germany in 1907 totalled £41,359,840. Our imports from Germany were £38,782,062. Here the figures tend towards something like a balance. But the commerce with certain other countries exhibits very notable discrepancies in the comparison; and the huge general excess of British imports over British exports indicates a great preponderance of value inwards which leaves margin enough in all conscience to pay for any conceivable accretion to the value outwards, however strictly the commerce is limited to the conception of the barter of goods for goods, which Mr. Macculloch believed was the true way of looking at all trade.

to import, or when they have perfected arrangements for making for themselves or supplying themselves from elsewhere with the bulk of the other goods which they are now constrained to obtain from us, we shall continue to buy from them such of their products as we find suit our purpose so to obtain. In short, the whole argument is a sham, none the less so, that it is conscientiously believed in by those who have trained themselves in the habit of reiterating it.

It is far different with another series of considerations in which the writer sees the main serious danger of a general system of protective or partly protective duties on the import of manufactured goods—the danger of corruption and abuse. It may be permissible, after respectful perusal of Mr. Upton Sinclair's remarkable work, "The Industrial Republic," to ticket this as the "American Peril," for it is in the land of the great acquisitiveness that its most formidable characteristics have been developed.

There is a solid foundation for this objection; and it may be that even too high a comparative value has been attributed to it in the estimate of the quantitative values of the several arguments for and against Protection with which this chapter concludes. In Germany the constitutional defect of an imperfect federation of constituent States might be supposed under a protective system to afford to the cupidity of associated producers opportunities of corruption and oppression at least equal to what is observed in the United States. But as a matter of fact the evil, though not altogether absent, is in Germany observable in a far less degree.

The exploitation by commerce and finance of the opportunities of monopoly and mononesis alike, is a subject which would furnish materials for a goodly volume, and with which it is impossible in these chapters to deal adequately to its importance. It is by no means an American invention, though for the scientific adaptation of its devices to modern industrial conditions we are undoubtedly indebted to the financiers of the great Republic. This edifice of exploitation demands for its support in the first instance a deep and wide foundation of protection, so adjusted as to combine the maximum of profit to individuals with the minimum of productiveness to the State. But even this minimum is bound to produce in the aggregate a huge customs revenue. For a certain time in the United States, this revenue was in excess of the requirements of the community, and from this, when they

succeeded in becoming politically powerful, the adventurers derived ample funds of corruption for the furtherance of their plans, diverting streams of Means along channels susceptible of appropriate manipulation. The main object aimed at was to maintain throughout the country monopoly prices in spite of the stimulus which the augmentation of profit tended to afford to internal production; and this was effected by far-reaching combinations of producers in enforcing their decrees on the consumers by a variety of methods more or less unscrupulous and oppressive. The peculiar political constitution of the nation, which in spite of the requirements of the age still pedantically adheres to the rudimentary conception of a federation of petty independent communities, each of which remains a sovereign power for the purposes of legislation and the enforcement of law, proved the most potent of all the instruments in the hands of the experts of corruption. One reads as a matter of course, of the State legislatures which have been "captured" by such and such railways or combinations of railways, by this or that "ring" of producers or "combine" of traders in a particular article; of Judge this or that, who is "run" by such and such a corporation or aggregate of corporations, that is to say, elected by their influence and compelled to stand by ready to fulminate convenient injunctions at the will of the "bosses" of the "ticket" which has secured their election! Even the enemies of society, thieves, brothel-keepers, owners of disreputable saloons, card-sharpers and the like, have in some cities a "combine" of their own,* get their representatives into legislatures, "running" their own magistrates to administer the laws which profess to be directed against themselves; and apart from the criminal classes properly so called, Mr. Sinclair draws attention to the legion of mercenary desperadoes, who when need arises for terror and violence, can be relied on to organize themselves into bands to devastate the homes of the recalcitrants and to destroy the goods of the factories of traders obnoxious to the secret directors of the "trusts"† (the ruin of such individuals by systematic underselling at a ruinous loss is, by the way, in general found a simpler and easier method of extirpation). Such is the picture drawn for us by Mr. Sinclair, and by others who have striven to incite their fellow-countrymen to combine to curb the "combines."

* Upton Sinclair, "Industrial Republic," Chap. IV., p. 135.
† *Ibid.*, Chap. I., p. 21; also Chap. II., p. 32.

The account is over-coloured and exaggerated, which goes without saying; exaggeration of statement being a common, and so to say, almost necessary device for exciting public indignation and provoking the public to efforts of reform. But there is enough truth in the picture to induce thoughtful and impartial statesmen to hesitate gravely before assenting to the setting up in another country of institutions like those which seem to have evolved a disastrous result among men of kindred race, and whose general institutions (though they have far diverged from those of the mother-country) yet have been informed by the same jurisprudence and arisen from the same general conceptions of public utility. Monopolies *do* powerfully stimulate the instinct of acquisitiveness; men *do* combine to appropriate in questionable ways among themselves the resulting profits; and the bigger and more powerful the combination, the more unscrupulous will be the methods by which it will seek to attain its ends. It will not be restrained by any regard for the interests of the people of its own country, and still less by any consideration of fair play for foreign competitors. And whatever difference there may be in the conditions, the phenomena observable in one "protective" country *do* indicate a series of tendencies which will to some extent reproduce themselves in any other, unless their causes are subject from the outset to watchful control by a State of sufficient power to check the manifestations of excessive greed. Identical causes will work out their results in different directions, according to the sets of circumstances among which they find their scope; but the general striving of monopoly to increase its gains, and of monopolists to combine and assert their collective strength by political pressure, and to associate themselves into organizations striving to extirpate competition from within and prevent it from without, are tendencies which assert themselves in each country which embarks on a career of protection, however moderate and reasonable in its inception. This is the real danger attendant on the adoption of Protection; the principal real argument for adherence to Free Trade. But its force must not be placed too high.

For after all, the United States of America are not the only "protective" State in the world, and there are others, in which these evils do not attain the same deplorable dimensions. It is rather to these others that we have to turn for an intelligent prognosis of results to us; for it is in these that the economic

conditions more nearly approximate to those of the United Kingdom. Every producing country in Europe has its own system of Protection, and each system is subject to its own disadvantages, which, whether they are counter-balanced by the advantages derived from it or not, are capable of ascertainment and estimation. Our statesmen have the experience of the world to profit by, and our institutions are so framed as not to lend themselves to the excesses of abuse which Free Trade advocates in the United States have pointed to as attendant on the system of their country, under its peculiar circumstances; and therefore, of course, to their minds, as inherent vices of every system of protection whatever.

The case for and against the "Cartells," the associations which organize themselves for the exploitation of import-duties in the interest of producers in Germany, is impartially stated in "The Evolution of Modern Germany," by W. H. Dawson, London, Unwin, 1908 (pages 179, etc.) That author, while pointing out that "prices have in many cases been deliberately forced up to unreasonable levels" (page 192), goes on to say that "the effect in other cases has been less fluctuation and greater equilibrium: the old alternation of excessively high and abnormally low prices" (the alternating rule, as the present writer would put it, of monopoly and mononesis) "has given way to a higher mean, which has certainly paid the producer better, and probably has often in the long run been better for industrial consumers," and again (page 189), this author sums up as follows: "It must be conceded that (1) the syndicates have been attended by distant advantages to industry, while at the same time (2) they have not proved yet so nefarious to the working-classes as was predicted and seemed likely."

In Britain there is a higher efficiency of central administration than in America or Germany. The integration of the national organization being complete, and the local institutions deriving their powers entirely by devolution of authority (see *ante*, p. 221), there is here none of that particularism of semi-independent local governments which enfeebles the central executive in those two countries; and here therefore the national interests of the consumer and the worker are susceptible of being far better safeguarded by central control over the combinations of producing organizations. We have the experience of the abuses of America, and of the relatively trifling troubles of the Germans, accessible to enable us to undertake the performance of this duty with

considerable efficiency. "The Board of Trade" is with us an integral part of the administration; and though in times gone by its humble function seems to have been mainly limited to the providing of a post, available like others still more "honorary," to satisfy the less capable among the aspirants to cabinet rank in an incoming ministry; the permanent staff is efficient, and that department of administration, already of great power and authority, could if need be, be made still more effective to regulate and restrain. No great exercise of skill in draftsmanship is needed to enforce on all proposed "unions" or combinations or syndicates of manufacturing industry the obligation to register themselves and to submit annually true returns of prices and similar data. And it would be the duty of the executive of the "Board" to be in touch also with revenue departments, and urge in the general interest such modifications of taxation as appear from time to time necessary to protect the public against the burthens which the unrestricted cupidities of these organizations might otherwise be tempted to impose. The way is open to guard the country against their abuses of a possible future system, before they begin to intrench themselves behind the fortifications of "vested interest," so hard to force, and so perilous to attempt to destroy.

The essential attitude of mind of the theorist is always that of an over-eager promptitude to generalize. But in fact the "American peril" is peculiarly American. It has arisen under a set of social and political conditions which have concurred to facilitate a temporary abnormal development of monopoly and its attendant greed, and nothing can be conceived more essentially differentiated from these conditions than the state of things in the United Kingdom. No one of them could possibly attain anything like the same force in any European country. The chief factor of course in the evolution of the monstrous combinations of the United States is the division of power between a central or federal executive with very restricted functions, and sovereign "States" with almost unrestricted power of legislation, but which yet are not individually powerful enough to cope with huge national combinations of interest. The abuses will pass away as soon as the collective national will is sufficiently organized to give effect to itself and sweep away the pedantry of State sovereignty, as it is in process of doing. The only country in Europe which possesses anything like a

similar constitution is tiny Switzerland, in which, though the "cantons" are still more sovereign than the "States" of the Union, the collective national will is quite strong enough to impose itself on them. But the whole of Switzerland could be put into some spare corner of the State of New York without occupying any remarkable space, and that affords no instance in point. France, Germany, Italy, Austria, all protective countries, the authorities of which all concur to do their utmost to keep their own markets of consumption for their own opportunities of production; each of these has its own inconveniences of protection to counteract, its own selfishnesses of producers to antagonize, its own "combines" of manufacturers and merchants to watch. But in no one is there any tendency of commerce or finance seriously to prey upon the national resources. Their respective ingenuities are almost exclusively directed to hampering the trade of the foreign competitor, a purpose in which all have succeeded to a remarkable degree in attaining, no doubt with some disadvantage to their own commerce. The United Kingdom is more essentially an importing country than any of these, relies more for its well-being on foreign trade, and has more to suffer by interference with international commerce; but not only its statesmen, but its people may be trusted to see to it, that no system of indirect taxation should be set up, that would really tend either to the oppression of the consumer or the serious curtailment of the opportunities of the producer. In short, the "American" peril is more or less of a "bogey." It is in process of disappearing from its country of origin, and will have been mastered by the sense of the people within a few years. In the meantime it serves to indicate possible dangers of an exaggerated protectionism. But in the United Kingdom there is no fear of this. Any attempt at its institution would be rejected by the collective good sense of the British community. The whole problem is one of degree and extent. It is quite accurate to say that the appetite grows by what it feeds on. Each protected industry will, sure enough, keep clamouring for a trifle more protection to ensure its prosperity, as Dr. Pangloss in the play kept on imagining the beatitude of a further additional trifle of income, with each little increase which good luck brought to him. But the public intelligence of the country can be relied on to ensure that the appetite for monopoly shall not be permitted to feed too grossly.

It is proposed to leave at this point the examination of this vexed question. This may be done without any dogmatic pronouncement on either side of the controversy. The writer, it is true, on the balance of inconveniences, is on the side of the tariff reformers. But the appreciation of the arguments will strike different minds differently; all that he lays claim to is a candid impartiality in estimating to the best of his power the arguments on both sides. His estimation assumes a quantitative form, so to say. To each argument, *pro* and *con*, a figure value is attributed, and the resultant represents what occurs to him as the probable balance of expediency. The comparison on this basis works out to his mind somewhat as follows, with the rough result of two to one in favour of the proposal:—

Arguments For.	Value of result.	Arguments Against.	Value.
1. Relief of unemployment	35	1. Danger and inconvenience of dislocation of trade ...	15
2. Relief of rates by increased revenue ...	20	2. Impairment of exporting power	2
3. Increase of revenue for other purposes	7	3. Increase of cost of life ...	3
4. Increase of earnings of capital and energy ...	3	4. Danger of corruption and abuse	13
5. Power granted to negotiate advantageous treaties with foreign countries	1		
6. Imperial interests secured by colonial preference...	1		
	67		33

Postscript.—Too late to be dealt with in the text of these chapters appears in the form of a Parliamentary return a "Memorandum by Mr. Alfred Marshall on the Fiscal Policy of International Trade." The document dates from 1903, and appearing suddenly in 1908 deserves serious and respectful consideration. Had it been accessible earlier, the present writer would undoubtedly have modified, not by any means the conclusions to which he has been impelled, but to some extent the order and method of the reasonings which have led him to those conclusions. The result to his mind would have been the same, but he would have justified that result by reasonings more

specifically directed to the considerations adduced by so eminent an authority. Unlike Mr. Marshall, the present writer promises to himself no further participation in this controversy, and has finally said his say. *Liberavit animam suam.*

To him it seems that the overpowering necessity which in Britain clamours for a solution of this problem is undoubtedly our constant need to diminish unemployment, and re-attain to a normal and healthy activity of industrial effort. He challenges what Mr. Marshall describes as the "great truth" that the "importation of goods which can be produced at home, does not "in general displace labour, but only changes the direction of "employment."* (Note here the very qualified dogmatism indicated by the pregnant words "in general"). There is no such "great truth," and "the change of direction of labour" described by Mr. Marshall does not "in general" in reality occur†. "Great truths" are not for economics, which is a science of the ephemeral and conditioned. And Mr. Marshall impliedly admits as much, when he goes on to say, almost immediately,‡ that "there may be cases when a home industry is temporarily "disorganized, and it is reasonable for the public to incur some "sacrifice for its relief": in other words, what the present writer has throughout contended for, that the question is essentially one for the quantitative estimation of balancing inconveniences. For with what has the economist ever to deal, but temporary phenomena? Mr. Marshall goes on as follows: "Such cases, because "exceptional, and on a small scale, have little relevance to this "broad issue." To the writer on the other hand it appears, that far beyond the temporary aggravation of the acuter phases of the dire disease of unemployment, to which the present (December, 1908) paroxysm may undoubtedly be traced;—not to sunspots, but to an American financial crisis in the year 1907,—there is a comparatively permanent chronic tendency to an almost secular displacement of the employment of British energy by the competition of that of the people of certain foreign countries. These, as things are, compete with our producers not only in "neutral markets," but for the supply of our own wants, which we are able to provide for by our own exertions. And if it is true, as indicated above,§ that an annual out-flow of

* Paragraph 37.
† See *ante*, p. 295.
‡ Paragraph 40.
§ *Ante*, p. 204.

values to the extent probably of fifty millions of pounds, could by the imposition of duty on certain manufactured goods be diverted from those countries and made available to afford employment for British Capital and labour, then the result of such a gain would far more than outbalance the undoubted loss which the country as a whole must undoubtedly incur by paying more, at any rate at first, for the things to be so manufactured than what they can be purchased for abroad. For the analysis of this loss, and of its eventual disappearance, see p. 290. The mistake, if one may use such a word of so eminent a writer, underlying Mr. Marshall's arguments to the contrary is concentrated, so to say, in one paragraph of page 14. "If goods which can be pro- "duced at home are yet imported freely from abroad, that shows "that they can be got 'generally' at less cost by making other "things with which to buy them from abroad, than by the direct "method of making them at home." (Note here the hypothetical framing of this assertion, and the qualifying force of the vague adverb.) The answer is obvious. You *cannot* "make other things with which to buy them from abroad," except there is the effective demand from abroad for the things which you propose to make,* and it is precisely the cessation of that demand, the results of which you are at present struggling against in vain. Therefore it is, that entirely repudiating Professor Marshall's "great truth," and insisting on economics being essentially a science of the present and the probable, in the domain of the expedient and temporary, and not of the universal and abstract; the present writer is unable to accept this main conclusion of this most interesting and fairly written memorandum, to the rest of which he is in some measure prepared to afford a qualified assent. Mr. Marshall himself states one part of the case against his own position admirably in paragraph 56, when (true, he has at the moment another nation in his mind, but *mutato nomine de nobis*) writing of a country the products of which are subject to a concurrent determination of other countries to put a prohibitory tax on its productions, he says that "that country, if she has no exports "which approach to monopoly value abroad, must turn her atten- "tion more and more to providing for home consumption; and "she must be content to allow a considerable part of the burthen

* See *ante*, p. 299.

"of foreign duties on her exports to enter into the real cost of "whatever net imports she requires." In that sentence, in the writer's belief, lies the real statement of the position as affecting British manufacturing industries in general, and it is impossible to so much as conceive of any method of "turning our attention more and more to providing for home consumption," other than the obvious one of making our home products more desirable in the home market, by imposing duties on the importation of goods to be offered in competition with them.

With all the rest of Mr. Marshall's arguments, the present writer is more or less in accord, especially with the admirable sentence* in which he sums up the overwhelming case against the policy of levying import duties with the object of giving English diplomatists something to bargain with when discussing foreign tariffs. "English business would be disturbed by "the opinion that such a duty was probable; and again by its "actual imposition, and again by the probability that it would be "removed, and again by its actual removal. It would disturb "business in every way; and it would set particular classes of "business men on influencing government, as it has done in other "countries, where diplomatists are entrusted with a power of this "kind. Protective duties are easy to impose, and hard to remove; "and the suggested plan would lead to a number of protective "taxes based on no scientific system and conducive neither to the "material nor the moral prosperity of the country." The present writer identifies himself absolutely with this. On the other hand the reasons deduced on pp. 310—315, have led the present writer to dissent from the conclusions to which Mr. Marshall came, after examining in America the institutions of the United States with respect to protection; what has been above described as the "American peril"; † a danger by no means imaginary, but which in the United Kingdom is assuredly much less formidable than he thinks. On the whole a careful study of the memorandum in question has left the writer more than ever convinced that the essential economic question in England is unemployment, and that though "general protection" is impracticable and suicidal, a qualified and regulated Protection of the manufacturing industries which supply the home market is the only conceivable

* Paragraph 72.
† *Ante*, p. 310.

and possible remedy for a gigantic and menacing evil, and compels us to face the risks undoubtedly inherent to it. He is impelled to that conclusion most of all by the consideration that so great an authority and so convinced a free trader as Mr. Marshall has no better arguments to urge against tariff reform, than those which are to be found in the "memorandum" in question.

CHAPTER XVII

ALTRUISM

THERE are deep-seated instincts of human nature entirely outside of the scope of that acquisitiveness which is the sole characteristic of the imaginary human being postulated by Ricardo: whole ranges of impulse with no direct economic working, but which yet have their own effective results on economic phenomena. Such are beliefs, traditions, habits, vices, racial characteristics, and above all, ethical conceptions; of which the most potent is that altruism which is the direct reverse of acquisitiveness; an eloquent and interesting writer has lately termed it the "good will in man."* Side by side with the fierce and selfish impulse to appropriate in antagonism to one's fellow-creatures, is the ethical counter-impulse to expend unselfishly in the amelioration of their lot. The very man who on one side of his nature is immersed in the selfish pursuit of gain will in obedience to the altruistic impulse be simultaneously devoting his means to the furtherance of philanthropic effort, designed it may be to benefit the very people who are being worsted by his struggle to acquire fortune. Thus acquisitiveness and altruism mingle their impulses in the same individual. A well-authenticated story is told of a certain "capitalist" who was well known for his not over nice acuteness in matters of business, but who devoted the closing years of an acquisitive life to the creation of a number of splendid and most beneficent institutions for his city; it is related of him that in the very act of raising the material fabric of one of these charitable institutions, he was unable to refrain from ruining by an underhand business-trick the contractor whom he employed to erect the buildings. Having induced the man to confide to him how he expected to be able to contract for a large store of a certain stipulated material at an amazingly low rate, the philanthropist forthwith secured from the people who had the stuff to sell the entire control of the indicated source of supply, and so compelled his tradesman to

* Wells, "New Worlds for Old," Chap. I., § 2.

purchase it of him at a high rate, and to ruin himself by so doing.

With whatever motive, whether vanity and the desire for posthumous fame, or a genuine love of the fellow-creatures whom, on their business-side, they have instinctively "got the better of," the great potentates of industry commerce and finance are noted for the profusion with which they devote their gains to public purposes, benevolent, if not always beneficent. Indeed some of the institutions, which owe their inception to the well-intentioned endeavours of the immensely wealthy, have proved strikingly ineffectual. It would be invidious to particularize contemporary instances which will occur to the mind of every reader. Each of these munificent founders cherishes his own ideal of how best to further the interests of mankind by creating big institutions devised to better the conditions of life. In general, one may say the more ambitious and far-reaching these are, the less practically efficient they prove. One man tries to cram literary facilities down the throat of an essentially unliterary generation; another to interfere with the supply of and demand for dwellings, by entering into the housing-market, and complicating by subsidized competition the difficult problem of establishing a reasonable market-rate for living accommodation; a third seeks to immortalize an obscure name by starting a university after his death, much on the lines in which, in his lifetime, he "runs" a railroad; while in a fourth case, the ideal of the opulent altruist may happen to be some huge railway project, built for glory and not for profit, which may or may not prove of service to some portion of mankind in some remote generation. Posthumous schemes, whether they tend to the ultimate regeneration of humanity or not, seldom aim at and never attain any perceptible economic result. Their authors have been allowed not over wisely perhaps, by the laws of their respective countries, to prescribe unchecked a series of schemes and regulations by which, after their death, and when they no longer have the power to rectify mistakes, some body of trustees shall continue to administer their amassment of Means for the carrying on of this or that foundation, or the solution of this or that problem; or their names shall be associated with some one or other ambitious effort to assume the functions of omnipotence in directing by posthumous wisdom the future of a remote humanity. All these ambitions become sooner or later frustrated.

Their aspirations may be capable of realization or the reverse—generally the reverse; for it is given to no man to foresee what may be the ultimate results of an endeavour to which benevolence, or vanity masquerading in its guise, prompts him. In the result on the whole, a community may not improbably benefit from this sort of impulse towards posthumous altruism. But no special need of reverence or gratitude appears due to people, for devoting to its gratification means which an inexorable impossibility forbids them to continue to enjoy after they have passed away from the earth. A wiser and more modest method of disposing in this world of what could not be carried into the next, was that which in bygone days was frequently resorted to by the wealthy of imperial Rome, who had a habit of "constituting Cæsar their universal heir"; that is to say, of throwing on the State the responsibility for the future application of fortunes they were compelled to leave behind them.

Altogether apart from such ambitious schemes are the more unpretentious continuous efforts of benevolence to do good day by day, in the lifetime of the givers, by diverting to the service of philanthropy what would otherwise be accumulated as "capital" or expended in selfish enjoyment. This is a true altruism with its steady and permanent economic force, always in action and constantly flowing. Attempts have been made to estimate the volume of this great stream; but these are vague and imperfect. Outside of that small part of it which runs along channels provided by known benevolent organizations of what is collectively termed "charity," the institutions which regularly publish intelligible accounts of their income and expenditure, there are far larger irregular and intermittent streams and freshets running along other and less measurable courses, less productive and fertilizing because more or less capricious and unregulated; while away and beyond is the immense river of spontaneous private charity, which no man can pretend to estimate; and this fact has in fairness to be borne in mind by those who contrasting the affluence of the comparatively few with the indigence of the majority, are indignant at the discrepancies of human fortune, and impatient of the scantiness of "voluntary contribution" through recognised regular and catalogued channels, those whose flow can be reckoned and estimated. It has been calculated, for instance, that the annual contribution to "recognized charities" in London amounts to £10,500,000.

How much ought to be added to that estimate to include what is levied on private means by organizations outside of the official enumeration; on members of religious congregations by churches which inculcate charity as the highest form of divine service, as in truth it is; what is given to benevolent institutions which though they may not directly aim at the support of the indigent, and do not come strictly within the "charitable" category, yet are altruistic in their aim and tendency, such as those, for instance, consecrated to the very expensive propagation of varieties of religious belief and the maintenance of armies of conflicting proselytizers; or again, what is irregularly expended in temporary efforts finding their expression in special "funds" raised from time to time under the stress of some national or sectional disaster, or specially devised for the exceptional relief of particular persons or classes of persons?

And again one must count in the aggregate contributed by the efforts of the poorer classes among themselves, which are Means collected by voluntary effort, invested in "property" as other Means are, and expended according to fixed rules on different but apparently more systematic and judicious principles for mutual assistance and the relief of need, independently of the professedly "charitable" institutions; and what is absorbed in the entirely immeasurable flow of altogether private gifts, one man helping another, one family supporting others; and the incalculable amount which is wasted by misplaced generosity in the biggest city in the world, whose people are daily expending huge sums in the aggregate under the mischievous impulse of a sheer pecuniary incontinence; purchasing a contemptible self-gratification by satisfying the importunities of casual mendicancy. The figures have never been measured or ascertained, can hardly even be guessed at; but could it all be reckoned up, the total would be amazing. It might not be too much to say, that were it systematically and scientifically administered, there is already flowing a river of Means towards the sands of misery which could be made to suffice for the maintenance in fair comfort of the whole population of the decently meritorious indigent, and leave over and above something to spare for the cadger and the criminal, who are after all human beings like the rest, though it may not be wise to encourage their pseudo-industry. For the above enumeration, it must be borne in mind, is that of the altruism of individualism only, alongside of which, through a

different set of channels again, runs another river of collective beneficence, the contributions of the State and the municipality.

These last for London alone are estimated at an annual five millions of pounds, derived partly from national, mainly from local, taxation; which are assigned to the relief of misery through the machinery of the gaol, the workhouse, the infirmary, and the dole of "outdoor" relief, and other institutions of State-supported benevolence. Of this also, it is too true that it suffers from its own specific disease of parasitism. Every now and then the searchlight of a "poor-law inquiry" or a prosecution for corruption or malversation is flashed on to the transactions of some board of "guardians" of the poor, or some "asylum" management, and a lurid light is thrown on the proceedings of this or that corrupt gang of shabby rascals of the lower-middle class, who having managed to get themselves chosen to public office, are unable to resist the opportunity of plunder and peculation; while stupidity, and a less corrupt but not more innocuous wastefulness and extravagance of outlay on appliances, difficult to check and stopping far short of what the law can deal with as dishonesty, account for a greater volume of means assigned to benevolence but diverted from the true channel into stupid or pedantic wastefulness. What proportion of this public contribution really is beneficially utilized for the sustenance of the poor and the alleviation of misery, and how much of it evaporates in peculation, in foolish methods, in the unnecessary multiplication and too generous maintenance of a distributing and administering staff, in the erection of buildings of needless costliness, and the rest of it, one cannot estimate. Speaking generally, it seems that as things are, the effectiveness of State-relief varies directly with the status of those appointed to administer it; that the poorer the locality, the more ignoble the elected authorities who expend the funds, and the greater the wastage from corruption and peculation and extravagance. The administration of this collective provision the efficiency of which is a State and not a local concern (inasmuch as its mismanagement prejudices the nation and not the particular locality), will sooner or later have to be undertaken by the national executive as distinguished from locally elected authorities. As it is, the incompetence of many of the latter necessitates the expenditure of great energy by the former in control and the enforcement of a decent conformity to correct rules. And surely all this inspecting and checking force

ought by rights to be employed directly in State administration. "Local self-government" has its limits of utility, for there are departments of collective action which are beyond its powers or scope. And to the writer it seems that equally with the national diplomacy and the national defence, the struggle with pauperism is a national affair, and that so far as the State has to undertake the burthen, it lies beyond these limits. Were it possible one would wish to see it placed permanently beyond the region of political party strife altogether.

Reverting to the main question of the sufficiency of the altruistic effort, the essential fact is, that however greatly its adequacy is capable in the course of time of being increased by a more general response to its claims and by more enlightened administration, it is unable as things are to cope with the gigantic mass of misery. Reform in these matters is progressing apace, and there is much to be sanely hoped for. But in the meantime the urgent question presses on one: Should not more be done, do we not need a more general impulse of altruism, and can there not be a more efficient organization?

One may walk for miles through well-to-do streets and squares in London, and note the prodigious aggregate of Means indicated by the habitation of so many thousand luxurious houses. Here is a quarter which no man can inhabit who does not dispose of at least £5,000 a year. Further on, another and a larger district, peopled by families who must apparently possess, say, at least one-half of that amount; and then again, a huge city inhabited by the "comfortable well-to-do middle class" who could if they chose, out of their more modest means contribute a still mightier aggregate to the reservoir of altruistic effort. At first sight one is impelled to reflect, how few of these people really and seriously contribute any appreciable proportion of their riches to philanthropy. And then one feels tempted to embrace the notion of compelling these too to come in, by a greatly increased taxation of the well-to-do, and thus to exact contribution from the inaltruistic majority, from so many thousands of people apparently callous to the claims of misery. The analysis of this suggestion of a compulsory equalization of fortune cannot be here attempted. Admittedly the impulse of benevolence, though directing a flow of means capable in its whole volume, were the sluices and flood gates better regulated, of effecting a far more beneficent irrigation of misery with wealth

than any which has hitherto been attained to, yet seems inadequate to the need, and too great a proportion of the "well-to-do and respectable" escape their fair share of the burthen. But this is less true than it appears to those who would measure the flow of charitable funds solely by the published lists of contributions, notable for the constant recurrence of one set of names, and the complete absence of those of other and more numerous wealthy people whom every one knows, and who appear never to contribute anything at all. Much could be accomplished to stimulate a more copious flow, and if the institutions which are charged with the duty of distribution associated themselves harmoniously instead of assuming the foolish attitude of competing claimants, they would make themselves more beneficent, and acquire more completely the confidence of the public; and especially, if they could be induced to work together so as better to protect each other and their respective supporters from spoliation and imposture, they might be enabled to point to results which would cause their appeals to meet with a more ample response from society.

With respect to charitable efforts of benevolence, the first economic fact to be noted is a discouraging one. In no aspect of life is it more obvious that the supply stimulates the demand, than in respect of charity. No sooner is a fund created for the relief of any special form of distress than claimants on that fund arise and multiply. They concentrate themselves with astounding persistence; one may almost say that the supply of subjects for charity is stimulated by the demand of charitable funds for suitable objects for their employment. Were some eccentric "pious founder" to endow an institution for "one-eyed kalandars" (whatever manner of men these may happen to be), candidates for admission to its benefit qualified to participate both by calling and calamity, would arise and throng its portals, as by the wave of some magician's wand. Every good and benevolent foundation is in its way an invitation to parasitism. In a well-known provincial town, a particular excellence has been attained by an admirable educational institution supported by an exceptionally generous endowment, and open to the children of the well-to-do "burgesses" of that town, at a cost sensibly less than that of similar schools in other places; and the resident population of the town accordingly receives its yearly increment of respectable families intent on sharing in a fund

which possibly might better and more usefully have been devoted to the needs of a less opulent class, or with less restriction of locality or citizenship. What is this but an opportunity for the parasitism of the well-to-do? And England is full of apparently beneficent and really mischievous institutions, expressing the misguided local patriotism of some pious founder, who with the best intentions in the world, has succeeded in making of his town or district a favoured resort of people seeking thus to obtain a share of what they have not earned and what they do not really need. There is a certain generous poor-law union which has the reputation among the tramps of affording rather better fare and exacting a little less stringent tests than its neighbours; and along the lanes of Kent there accordingly converge daily on this comparative paradise of the lazier, little streams of undesirable vagabonds on their way to participate in its hospitality. The most splendidly beneficent institutions of England are its public hospitals. No man would willingly say a word to impair their power and utility; but yet all classes of parasites are ever pressing for admission to them and succeed in feeding on them, who are notoriously not the people for whom public assistance in that form should be provided at all; from the chronic diseased vagabonds who avail themselves of their wards for winter residence in preference to the infirmary of the workhouse, to the mean-spirited middle-class people, who dress themselves shabbily and seek for their ailments a gratuitous treatment which they ought assuredly to be forced to pay for out of their own resources; and so forth, to the end of the chapter. Again, many institutions are preyed upon by their own staff: snug berths and "soft jobs"; mercenary services and a self-indulgent habit of trustees to institute annual festivities at the cost of the fund, are too common among those which are well endowed.

And all are alike victims of people claiming to participate in their benefits, but not really belonging to the classes which it was the aim of their founders and subscribers to assist; people to whom it is not desirable in the public interest to extend any assistance whatever. One cannot refrain from quoting in this connection the following two paragraphs from a series of articles on the administration of charity,* which very tersely exemplify the ill results inseparable from every form of giving.

* "Administration of Charity," by Arthur Paterson. Reprinted from the *Times*, p. 16.

"One hard winter the following conversation was overheard between two working-men:—

"'How goes it, Bob?'

"'Bad—I hopes to get work, though, next week.'

"'Then you are a —— fool,' exclaimed his friend. 'Work! I ain't done a stroke this six weeks, and shan't till the weather turns. Why should I? The kids gets dinners from the school, the missus has a pint of soup every day from the mission, and coals as well, and I don't know what all in clothes; while the church—you see, she 'tends the mothers' meetings at both shops—pays the rent and gives grocery tickets. Do the same as us, and you'll get on first-rate. Send your missus round to mine, she'll put her in the way of it all.'"

"Another experience happened to an active manager of schools. Hearing that at her school free breakfasts were being given to all children who came without them, she paid a series of visits at nine o'clock in the morning to the children's homes. In nearly every case the mothers were in bed, and, when questioned as to their views upon the free breakfasts, good-humouredly replied that they thought them excellent. 'Not that there ain't the food in the 'ouse, ma'am. But it do save so much trouble; and it's my belief them ladies enjoys fussing over the kids as much as I likes my rest.'"

The economic outcome of it all is that charity begets parasitism as the dirt begets fleas, but (and this is the real economic feature of the problem) the most voracious parasites of benevolence are by no means the over-paid officer, the cadger, the sturdy mendicant, or the whining obtainer of relief on false pretences. These take their tiny share, but they are as aphides to locusts when compared with the all-consuming parasite on charity, which is industry itself—the industry of the parasitic trade.* One example may be used to illustrate the meaning of this assertion. A certain person interests himself, as many of us do, in the struggles of a particular very indigent family, in a very poor district, a widowed sickly mother and four or five children. The mother is in receipt of a trifle of parish relief altogether insufficient to maintain them, even at starving point. Two of the elder children, thirteen and sixteen, are employed all day at a factory, at a wage of 8*s.* 6*d.* *a week between them.* The factory is thus carried

* G. Bernard Shaw, "The Commonsense of Municipal Trading," Chap. IV., p. 27.

on by the aid of the parish authorities, and of the person in question. The wage offered is one of obvious insufficiency to feed and clothe and house the workers. If this were a mere isolated case it would amount to nothing; but it is the general rule of a whole category of industries in trades which largely employ unskilled labour. When these are not parasitic on the parents, they exist by calling in aid indifferently the resources of the "Union," the contributions of charity, and as often as not the wages of prostitution; and the bitter feature of it is, that were these subventions withdrawn, the industries would cease to exist, and the bitterness of the struggle for existence would thus be exacerbated for the most miserable. A Parliament in its wisdom may think fit to enact that no trade shall be allowed to pay less than a "minimum wage," and sentimental people will be apt to applaud such a law as the perfection of human wisdom; but they do not reflect that such legislation would be entirely ineffectual without a supplementary law, compelling the people who employ this class of labour to continue to carry on their businesses indefinitely at a loss, by paying wages which the profits could not afford. It is to this apparently cruel dilemma that an industrial civilization is brought by the practical action of the inspired axiom of the "cheapest market." It may be stated as follows: The present conditions of industrial civilization are such, that without altruistic effort on the part of those possessed of means, the lives of the poorest of the citizens would be intolerable. The notion of those who are called "Socialists" is, that in some way or another, it will be possible for society to devise such alterations in these conditions that this state of things shall be brought to an end. This notion it is designed to examine impartially in the next chapter. But whether it prove true or false, it is obvious that till the "Socialists" have agreed on their remedies, and until those remedies have proved efficient, it will continue necessary to provide a palliative to the extreme misery of the miserable. And therefore in the meantime it is the duty of the benevolent to come to their aid; and more or less this duty is performed, as things are, to a great extent by the voluntary help of the very class of people against whose possession of available Means the efforts of the collectivist are directed.

It is neither desirable nor possible that this should be done to the extent of providing for a complete maintenance of all who are in want. The utmost that can be effected is to help extreme cases

of age and helplessness and by occasional benefaction to relieve the sufferings of extreme need. But this even can be done only at the cost of encouraging a system of parasitic industry which feeds on the contributions so doled out, and exists by virtue of its power so to live; and if you forbid the parasitic industries, you intensify the misery of the poorest and most helpless class by withdrawing from them so much of their insufficient livelihood as is afforded by the "sweating" trades; which you will strive in vain to compel to be more generous, though you may perhaps by appropriate legislation succeed in extirpating them. This is one main economic outcome of altruism. And then comes the crucial question, "*cui prodest?*" Who is it that in the last resort really benefits from this cruel and illogical system of industrial civilization and whom therefore has justice to convict of the criminality of sweating? The orator of the street-corner inflames his hearers with the contrast between the "opulence and luxury" of the sweating employer, and the miserable starvation of his victim. The "capitalist" is held up for execration: a sort of Moloch trampling on the bodies of his victims, amassing huge means by starving the parents and draining the life-blood of the children; whereas in truth the "sweating-employer" is himself in the vast majority of cases, but a struggling tradesman straining by rigid penury to escape the gulf of bankruptcy. Compelled by mononesis to undersell, he has no choice but to underpay, and his existence, like that of those who work for him, is necessarily parasitic on State relief and the alms of the charitable, which between them make it possible for him to lay his hands on unskilled labour, forced though not content, to accept less than a living wage. The real Moloch, the arch-parasite, is not the employer, but the consumer; to whom in the shape of underprice of what he buys, accrues the lion's share of what is distributed from the reservoirs of benevolence. The sweating industry and the starvation wage are the Nemesis of the "cheapest market"; * and if some compulsory regulation could be devised which would be effectual to abate these evils, that should have to take the form of an inverted sumptuary law, forbidding people to buy certain things at less than certain prices, and making cheapness criminal, instead of holding it up to admiration as the very embodiment of the divine principle of the greatest good of the greatest number. As things are, it is the British public which

* See *ante*, pp. 46, 47.

s the gigantic "receiver of stolen labour" in Britain, and the insatiable embezzler of charitable funds.

There is a side of this artificial reduction of the price of labour which in its way undoubtedly makes for good results—the expansion of commerce and the enhancement of production. Most of the things produced under the pressure of mononesis go to supply the market for internal consumption as opposed to exports; being for the most part such as if not produced at home under these abnormal conditions would be imported cheaper, or as cheaply, from abroad. Therefore, on the topsy-turvy theory of Mr. Mongredien,* it ought, it seems, to be reckoned disadvantageous to produce things too cheap at home, inasmuch as that must occasion a lesser importation of similar articles. The tendency of unrestricted free trade to permit "sweated industries" must therefore, according to his notion be, by discouraging importation to occasion a corresponding diminution in the national power of exportation; and this, in his way of looking at things, is the supreme disaster. But all this may be disregarded by those who do not share the weird delusion that by importing all we can consume, we shall attain to the supreme advantage of being able to export as much as we can produce.

The conclusion which emerges, however, is that the organized system of underpaid work known as "sweating" is one that is facilitated by benevolence, which alone can enable workers to exist on a wage insufficient for their due maintenance. It consists in the exploitation by a certain proportion of the directors and employers of industry, of means intended for the relief of poverty, and this is "parasitism" in its most effective and formidable economic expression. Whether in the balance of its results it is a good or an evil thing, may be left to theorists to dispute over. But it is quite obvious that, for good or ill, this is the main economic outcome of that part of altruistic effort which is directed to the general relief of poverty, by almsgiving and other direct pecuniary assistance.

That side of benevolence which concerns itself more directly with the special claims of the aged, the diseased, the helpless, and the entirely "submerged" victims of misfortune, has indirectly another economic effect of its own, which is also unfortunately of doubtful aspect from the point of view of utility. This charity, also in its turn, tends to become in the long run and in

* *Ante*, p. 124.

the ultimate result to some extent a subvention of the employer of labour and therefore ultimately of the general consumer. The benevolent institution comes in to undertake a burthen which without its intervention would fall more directly on those who hire the labour of the class from amongst whom the objects of the charity are recruited. Thus the State relieves the poorer classes from the obligation to provide for the education of their children, and its efforts are supplemented by privately sustained institutions by which the children of the more destitute are gratuitously clothed and fed in order to fit them to receive that education. It is right that it should be so. But from the merely economic point of view, it is obvious that the result is to lift so much off the backs of the parents, who are enabled to work at lower wages when relieved of a charge which otherwise Nature seems to impose, and which the law would at need intervene to enforce upon them. The "guardians of the poor" open their doors to those who, had they been in receipt of adequate wage would have been able to provide for their own old age; and the last proposal, that the State should come in here too as a sort of second huntsman, whip in those of the aged who have escaped the workhouse, and make them also parasitic on the taxes by granting "old age pensions" seems to partake of the same infirmity. One is loth to take it for granted that the self-supporting institutions of the poorer classes themselves are not to be trusted to keep their subscribers alive; if they are, it hardly seems as if this elaborate apparatus of pauperization is justified. But anyway it seems permissible to ask whether some more independent method of insurance, coupled with efforts to raise the rate of wage (which those who watch the results of the legitimate action of trades unions would by no means despair of making generally applicable) might not be invoked with greater chance of success. The State and the municipality must in respect of many things become benevolent institutions on a gigantic scale. It is strictly forbidden in Britain to a man to die of destitution.* His life may lawfully be one long agony of insufficient food and the absence of reasonable comfort and joy; so far no offence. But it is forbidden to him to push matters to the extreme of dying of starvation, and the State or the "Union" comes forward with a complicated and expensive machinery, insisting on keeping him alive to suffer. Not only that, but if a miserable human

* *Post*, p. 393.

being is brought into the world afflicted with incurable disease, a cripple for life, incapable of performing its duties and functions, modern sentiment revolts at the idea of a merciful termination of its existence, and gathers it into some asylum of monstrosities to linger for a few years in suffering at the public expense. And parents whose children are thus afflicted at their birth are encouraged to continue to procreate a series of pitiable objects of charity. This is one of the strange economic results of what some people conceive to be a misguided altruism. And indeed it sometimes seems that a profound writer of the last century was not altogether wrong when in a despairing sentence he dismissed charity as an economic force in these sad words."*

"Paupers will raise paupers, even if the children be not their "own, just as familiar contact with criminals will make criminals "of the children of virtuous parents. To learn to rely on charity "is to necessarily lose the self-respect and independence necessary "for self-reliance when the struggle is hard. So true is this, that, "as is well known, charity has the effect of increasing the demand "for charity, and it is an open question whether public relief and "private alms do not in this way do far more harm than good."

It is when altruism comes to concern itself with the future of the race and the nation that its efforts promise a true economic benefit. It is unfortunately true that each effort in this direction involves a certain mischievous result in so far as it tends to transfer the duties of parents to the shoulders of the charitable. But the immense benefit to the future economic efficiency of the people outweighs the incidental mischief with such overwhelming preponderance, that in the net result this among the whole of the objects of benevolence may be embraced with a clear conscience of preponderating good.

Instruction is a function of the State: the delegation of this to the municipality a blunder which is in process of gradual correction, though the local management of schools must continue to be delegated to local people, some of whom no doubt, will be best selected by some sort of municipal authority; but education, in the true sense, the fitting of the human being for life, can be imparted only to a very limited extent by State-paid instructors; it begins earlier and lasts longer. Before the infant is born its education has to be commenced by the amelioration of the physical condition of the mother. Long after instruction is

* "Progress and Poverty," Book X., Chap. II.

finished, education must be continued by strengthening the ethical instinct by religion, and disciplining the plastic will of the human being by association with the more informed individuality of those competent to impress it with a wise insight into the realities and necessities of life. All this is essentially the work of the individual as opposed to the State. Of all this a Department knows nothing, and in the effort to effect it legislation is impotent. And during the process of instruction also, there is room to effect immense improvement by benevolent effort tending not only to the building up of the physical but the moral human being, to strengthening the frame of the child as well as to improving the character of the future member of society.

There is no occasion to enumerate the many benevolent agencies which aim at the attainment of these varied ends by helping mothers, by securing healthier homes, opportunities for play and joy, occasional holidays in the country for the children of the city, opportunities in boys' brigades and the like for wholesome exercise of the rudimentary instincts of association and discipline, by affording opportunities for intelligent discussion, by the reasonable encouragement of athletics, by affording means of instruction in trades and crafts, by forming clubs for young people, and in scores of other directions, of which these are only examples.

On this side altruism becomes a potent economic factor by virtue of its effect in strengthening the physical nature and elevating the character of those who are to constitute the citizens of the future, and in their turn to breed the future generations of the young. The essential thing is that all this possible good can only be looked for from those who are willing spontaneously to devote their own time and energy to the service of their country as free agents, without claim to salary or reward; and this is the highest and most noble, as it is also the most effective, form which altruism can assume.

As to its other forms, equally obligatory on the wills of the benevolent, but which meet with the objection that they are capable of abuse, and have no economic result; the answer of the altruist seems to be, that while all this may possibly be true from a purely economic point of view, there are other aspects of civilization, beyond the range of the economist's vision; and that those who seek to realize the ideal of the Kingdom of Heaven upon earth, are not to be deterred from the work of mercy by the argument that such exertions, though they may

succeed in relieving the sufferings of their immediate objects, must fail to produce the effect of a general abolition of misery. Here there is room for the exercise of much wisdom. It is by no means beyond the power of individualistic benevolence, at any rate, so to organize itself by adopting scientific methods and principles as to minimize the great peril of "pauperization." How far State effort in the same direction can possibly be guarded from producing the same ill results is quite another matter.

Economic efficiency is but one of the many aims of society. It is purchased at the price of cruel suffering. A nation is doomed to qualify itself for supremacy among nations by emerging victorious in the international struggle for existence; and its fitness for that struggle in no small degree depends on the hardening of the national temper by a similar internal struggle of the citizens among themselves. Thus it is that Winwood Reade pointed out that the way to a nation's emergence is along the road of the "martyrdom of Man." And it may well be that the mastery in the world's struggle of the nations will be with that which most implicitly obeys within its own borders, even at the cost of the greatest suffering, the hard law that the fittest must survive.

It is just against the cruelty of this seeming necessity that private benevolence sets itself to contend. The result of its efforts may be on the whole to impede rather than further the economic supremacy of the nation. But there are other and better results of civilization than economic supremacy; of which the chief is character. And altruism and its workings derive their highest value from what they achieve in the development of character; of that of the recipients; being beneficent to them in proportion to the degree in which benevolence attains to the stimulation of a striving for independence and self-reliance and efficiency among the classes who receive; and exercising a still more beneficial influence on the class of the givers by affording some way of escape for them from the degrading and sordid motives of acquisitiveness and luxury.

It is when we turn to the State and the municipality in their character of agents of benevolence, and to the people who derive assistance from public funds, that we are most beset with doubts whether as much good as harm can possibly be effected by this giving; whether it is within the collective power really to redistribute happiness among its citizens permanently or effectually,

by the almsgiving of the State; whether the general political and social efficiency of the State organism will not rather be debased. For there is a subtle corruption which attends the exercise by politicians of the function of distributing largesse among those who have the right of appointing them to office. And there is reason for gravely questioning the practical efficiency of the methods of routine, by which alone any system of State relief can be administered. Adherents of the different schools of thought, whose aims are confounded together under the general meaningless term "Socialism," agree only in the general conception that it is the duty of the State, as it is within its power, to intervene to improve the lives of its citizens by an organized and compulsory State direction of service, the result of which is to be to redistribute among them the means of life and the opportunities of happiness.

In the following chapters it is proposed to attempt as far as possible an analysis of the various conflicting ideas which underlie the notions denoted by the terms "Socialism" and "Collectivism," and the like, and a short appreciation of the reasonings and proposals of their advocates.

CHAPTER XVIII

SOCIALISM. PART I.—COLLECTIVISM

To an impartial examination of theories which have for their object a revolution in the attitude of society towards the fundamental institutions which regulate its functions, it is necessary to bring a detached and impartial mind, assuming nothing as "self-evident," but what commends itself to universal assent, and not even that much too implicitly. It is no answer to the man who preaches the modification of the laws and customs of a nation with respect to property, for instance, to point out that by the adoption of some of the measures which he advocates the "sacred rights of property will be infringed," unless you are able to prove at the same time, what you yourself hold, (possibly on too slight a foundation of experience,) that any lessening of the "sanctity" of property is in itself necessarily inimical to the general interests of society: a thesis far less easy to maintain than you have been in the habit of believing. To those on the other hand who, like Mr. Mallock,* keep on repeating that the increase of the "Wealth of the nation" (by which they really mean the progressing appropriation of the means of the world by the richer among the citizens of that particular nation) is obviously a good thing in itself, and the most desirable of all conditions, and the most certain to increase the "average well-being and contentment" of those less opulent people who constitute the great majority of the nation, it is futile to attempt to explain that this apotheosis of acquisitiveness rests on no self-evident fundamental truth, and that the well-being of mankind does not necessarily in the nature of things find its highest expression in the increase of the claims to future accruing wealth, that may be accumulated in the pockets and deed-boxes of the richer minority. In spite of its vagueness and practical inapplicability, the classical criterion of Bentham, "The greatest happiness of the greatest number" has an ethical sense more noble than either the dogmatic assertion of the intrinsic beauty

* "Critical Examination of Socialism," Chap. XIV.

of collective ownership, or the equally dogmatic deification of individualistic acquisitiveness.

Every such enunciation of "principle" in turn begs the question which it is invoked to elucidate; it is difficult to find one which is demonstrable; and the more comprehensive and apparently self-evident any may be, the less susceptible it is of logical proof.

But without some sort of fundamental agreement in principle intelligent discussion is hopeless; and even the writer is compelled to fall back on the one indicated in p. 2 of the introductory chapter; that civilization is better than barbarism. This axiom, it is true, also "begs the question." It assumes a principle against which writers like Mr. Carpenter,* and men of action like the late Mons. Bakounine have by words and acts energetically protested.† But these chapters have not been written to persuade or to confute the anarchistic reactionary, who repudiates civilization and all its works; or to convince the fierce sentimentalist whose aspirations are concentrated on the reproduction by violence, if necessary, of an imaginary golden age of the past, purified from the modern abominations of steam machinery and competition.

Those who, like the writer, are not altogether content with the present state of things, but who, unlike him, lack faith that the existing machinery of civilization, though faulty, is capable of being adapted and perfected by a progressively enlightened direction of the individualistic impulse, are the "Socialists" properly so called. They propose that men should agree to compel each other to abandon the individual impulse to acquire, and substitute a State directed collective purpose to bring about what they call a "redistribution of Wealth," but what would be more accurately designated as the compulsory modification of the method by which *Means* are accumulated and distributed. This set of "collectivist" thinkers and writers are persons with whom it is possible to reason, on the common ground that any sort of civilization is better than a relapse into barbarism; and the position which the present writer maintains, is that starting from that point, it will be found that the safer and saner course, and by far the more practicable, is to endeavour to strive for the bettering of things as they are, starting from the point to which

* "Civilization: its Cause and Cure," by E. Carpenter.
† Bakounine, "Dieu et l'Etat, Fédéralisme," etc.

the social systems of civilized communities have already evolved by the way of individualism. He maintains that there is no need to recommence the construction of the fabric of civilization *ab initio*, by prefacing it with the destruction of existing institutions.

There are also quasi-socialists, along with whom, somewhere on the extreme right wing of their army, the writer himself may possibly be found to be marching. "Meliorists," they call themselves; those who, perceiving the futility of attempting to eradicate individualism and acquisitiveness from among the motives of humanity, yet are willing to strive to modify and restrict their operation. And then again directly antagonistic to both, are the pseudo-socialists; in reality ultra-individualists in thin disguise, persons entirely actuated by individualist greed and envy, who are massed in "irregular order" somewhere on the left wing of the host of Socialism, allied with it for the moment, shouting in unison the war-cry of Proudhon that "property is theft," and intending withal by theft to acquire property; aiming at the transfer to themselves, not at the abolition, of private property; the people whose true tactical objects of attack are the eighth commandment, and the statutory enactments relating to larceny.

Among the entire force one searches in vain for any indication of a true common purpose or method. It does not necessarily condemn them all that their schemes and aims appear mutually destructive. Among the wearers of red ties, it is conceivable that there may be one set of men who have hit upon the right doctrine, and laid hold of the true secret of regeneration; the difficulty of the sceptic being, that no sooner has he demolished the theories of the one set, than he finds the others proclaiming in concert that that particular school "as everybody knows" was founded on error, and that the real orthodox "Socialism" is something quite distinct, and has a foundation quite different, which he has not confuted at all. It is necessary therefore, for the purpose of analysis, either to pick out the separate conceptions which go to make up this Protean general notion of discontent, and examine them in detail, or, at the risk of being thus accused of "flogging a dead horse," to adopt the more concise method of selecting for examination that particular presentation of the Collectivist case which appears the sanest and most coherent and reasonable. With this view the writer has selected as an

exposition the very charming work above referred to,—"New Worlds for Old," by Mr. Wells—a book with the ideals and appreciations of which one cannot but sympathise. By no man have the existing evils of industrial individualism been more sympathetically and nobly understood; and Mr. Wells' view of the genesis and history of socialism itself may be accepted as accurate and scientific (Chap. X.).

If one may venture on a general definition of constructive socialism, the doctrine amounts essentially to this, viz., that the main evil of civilization lies in the faulty distribution of means, by reason of which the few attain to an excessive appropriation, while the many tend towards a condition of intensifying deficiency, occasioning misery to an undue proportion of human beings in the present, and what is worse and more fatal still, a degeneration of humanity by the degradation of the race. So far, the present writer is in accord with Mr. Wells. If by his recognition of this great evil to be overcome, he incurs the odium of "socialism," he submits to the stigma, and he goes a step beyond this, in recognizing fully, that it is not by way of the increasing differentiation of the richer classes, and the further facilitation of their powers of enriching themselves, that salvation is to be found from the consequences of an all-devouring acquisitiveness. He is no believer in the beneficence of a paternal plutocracy, though with Mr. Mallock he hopes something from a more enlightened and systematic development of the altruism of the individual.

Socialism having correctly diagnosed the ailment, sets to work to prescribe its remedy. But this, disguise and extenuate it as you will, and twist it as you may, always remains essentially that of the paternal State, bureaucracy, opposed to plutocracy, but still more completely and inevitably absorbing all means. It has to proceed by way of the conversion of individualist humanity into officialdom; with the inevitable corollary of the appropriation by the State of all means of industrial production,* all functions of human service and effort, and in the long run, of all property whatever, with the exception of a few shreds of consumable commodities.† This as above pointed out, can be brought about only by a gigantic revolution of human nature, the

* See Wells, "New Worlds for Old," Chap. IV., § 8, for the first stage in this process.

† *Ibid.*, Chap. IV., § 7.

substitution of the nature of the insect for that of the human being. Mr. Wells, it is true, eloquently and suavely disclaims the idea of pushing his conclusions to so logical an extreme. "Not at all," says he; "the notion of property is innate in man." No sane socialist thinks of confiscating a man's clothes or his tools or his bicycle or his family pictures. He will not even empty his pocket directly of its loose cash, (although when that has once been expended, the man will find, it is true, (see after) some little difficulty in replacing it with a fresh supply of some "medium of exchange" convertible at will into the wealth of world-production). There may even be room in the Socialist State of the future, he opines, for some survivals of individualistic industry not State directed, the less important and necessary trades,* such as the confection of bonnets, the tattooing of designs on the skin, or the preparation of smoked glasses for observing the sun at times of eclipse, and the fantastic traffic of the "philatelist." He approves even of a partial retention of the customs of testation and inheritance† of whatever can possibly remain to the individual to bequeath or inherit, at any rate as between a man and his wife and immediate descendants; not of everything, mark you, but of quite a reasonable and respectable remnant of his property; at any rate so much as it is not found inevitably necessary to return to the common stock. The revolution is to be effected very gradually, very gently and considerately.‡ The complete revolution to collective ownership itself is only to be brought about in the distant Utopian future, when there shall have been gradually evolved an improved type of human being with an attitude of mind averse to individualism. It is to be a change in the minds and wills of men which is to lead them gradually to modify the institutions of municipal law. It will take centuries to work out the plan, and to give practical effect in a distant future to what, for the present, Mr. Wells says that the unconverted individualist may unmovedly regard as mere counsels of perfection, pious opinions not to be adopted as obligatory articles of faith for many ages, though undoubtedly these are held by his brethren as the catholic faith of socialism.

But he thinks that meantime we must make a beginning

* See also Sinclair, Chap. VII., p. 231.
† "New Worlds for Old," Chap. VII., § 1.
‡ *Ibid.*, Chap. VII., § 4.

somewhere; and we are to begin,* by putting under the control of the State or of an hierarchy of local authorities and municipalities (the latter to be carefully created according to his own plan), first of all, all services of transport, of house-building, of sanitation, of food supply and the like,† just as your enlightened municipalities have already taken to providing tramcars and schools and waterworks and gasworks and other services for the public.‡ The people who on a "private adventure basis" are at present working at these things, your railway directors and managers, your shopowners and masters, your schoolmasters and your butchers and fishmongers and milkmen, and the rest, are to be absorbed to start with, and they are to be the first of the new recruits in the army of State-paid workers. These services of production and transport and convenience are no longer to be carried on for lucre by private adventurers.

It will take a long time to enrol and drill all these people, and the individualist property owners are to comfort themselves with the reflection that they will all be snug in their graves long before the time when society will be ready to enrol the second Landwehr, which will be a far greater force. For that is to consist of all the producers of other goods, and all the manufacturers, merchants, financiers, bankers § (insurance companies, by the way, will have been earlier absorbed into the first enrolled army, because the savings of the people must at once be guaranteed by the State). But by the time that the first army is well at work, the unenrolled (those who are still struggling on in the unregulated cohorts of individualism) will have begun to get tired of their separate organizations, or rather of their lack of organization; tired of their individualism; and then these will commence spontaneously to throng the recruiting offices,‖ and to seek work for the King's shilling; and so, gradually, individualists will come to improve themselves gently off the face of the earth, and the whole of life will have brought itself gradually under State-control; and when the soldiers of this greater army are completely enrolled, and its organization is perfected, then it will have become completely exhaustive of the citizens, who will be in happy case; for

* "New Worlds for Old," Chap. VIII., § 2.
† *Ibid.*, Chap. II., also Chap. IV., §§ 4, 5, 6, 7, 8, and Chap. VIII., § 1.
‡ Shaw, "The Commonsense of Municipal Trading."
§ *Ibid.*, Chap. IV., § 8.
‖ Cf. Upton Sinclair.

collectively they will control the State which commands them individually. Pleasantly and kindly all this is presented. No word of harshness, except here and there a disapprobation of the philoprogenitive and acquisitive "Semitic" sort of people*; there flits across the mental retina a vision of discomfited Carnegiefelds and Rockefellerbergs, and Harrimansteins and Morganheims, scuttling away to hide racial physiognomies which Mr. Wells dislikes, in the outer darkness; people whose sordid Semitic acquisitiveness it would otherwise eventually be needful to repress with dignified severity; the financing, stock-broking, parasitic sort of men, whose real function it has been to prey upon us poor middle-class people and to absorb and pocket our painful earnings. But outside of these enemies of humanity, nobody, if we will only believe him, is to be really the poorer for the gradual process (Mr. Henry George by the way offers the same comfort to the landlords whom he proposes to expropriate†); as for the mass of humanity, that will be incalculably the better, the stronger, the happier and more efficient; the true Utopia seems to be "just round the corner." When eventually the transformation is completed, the State will have become a socialistic State, what Mr. Upton Sinclair calls an "Industrial Republic," every man quite free under the infinitely beneficent despotism of the majority of his fellow-citizens. As for the present masters, the land-owners will have disappeared, because the panacea of Mr. Henry George, the "progressive absorption of rent in taxation" will have been the first medicine administered. And the others—the capitalists, employers, merchants, financiers—they will also have disappeared.

It is absurd, says Mr. Wells, to stop where George stopped, illogical to boot; for so long as Capital, which is Means applied to enterprise, is allowed to employ itself in obtaining gain for an individual possessor instead of for the community, the result of painlessly expropriating dukes from their acres, will only be to induce the individuals who have hitherto carried on that calling to enter into a new term of predatory existence in the ranks of the stockbrokers and financiers, and the sweaters, and the owners of shares and debentures. And there is to be no more "struggle for existence," the only permissible competition being that for snug and agreeable posts in the army of

* Wells, "New Worlds for Old," Chap. IX., § 6.
† George, "Progress and Poverty," Book IX., Chap. III.

service,* which in due course is to comprehend the entirety of the citizens of the State, one half engaged in production for the common benefit, the other in the duties of distribution, supervision and control, each man doing service in his appointed place, and drawing his appointed wage under the collective mastership of an all-competent bureaucracy. All this is enunciated with great gentleness and suavity. Mr. Wells suggests to his brethren, by no means to "nail the ears" of the capitalist "to the pump." On the contrary, he shall be handled as tenderly as the worm at the hands of the "compleat angler." Give him time enough, and he will spontaneously see the error of his ways. The voice is the voice of Jacob; but though the author gently repudiates the militancy of Proudhon and Marx, and the shrill and acrid philippics of the *Clarion*, and deprecates all violence and force, it will be seen on consideration, that all the time he is in truth one with Marx, the hairy predaceous Esau, modulating the roughness of his voice to conciliate those whom his proposals might otherwise alarm.

The essential ideal is identical with that of the collectivists "*quand même*," the antagonism to private property in "capital," which in effect is to all private means whatever. In the perfected Socialistic State there can be no room for a conception of "property" at all, any more than the hive could continue to exist without extirpating any anti-social inapian worker-bee who set to work to accumulate in some secret acquisitive cell a little hoard of honey for its own private consumption. All acquisitiveness, whether you please to call it "avarice and greed" or "prudence and thrift," has on a collectivist basis of society to disappear from among the motives of the individual man, and be replaced by another instinct, a passionate patriotism enlarged to embrace the whole world as its country, and all humanity as its object.

The general refutation of this thesis requires some rather deep "thinking at" to appreciate. The present writer does not dispute that in a collectivist state wealth would continue to be produced. But Means, which are claims upon all the wealth, and which are daily produced from the surplus of its exchangeable value, can only continue to be accumulated by the exercise of the commercial function, which is the task of converting wealth into means now performed by individualistic commerce.† Now this function cannot be effectively performed by the State.

* See Sinclair, "Industrial Republic," Chap. VII.

† *Ante*, pp. 174—175.

The mere production of commodities in itself avails nothing. The State would find, as the individual producer now does, that the quality without which a thing cannot be wealth and without which it must be disastrous to produce it, is desirability; value being nothing intrinsic in the things, but simply the temporary measure of the general average desire for them at the moment;* so that any production in excess of what Adam Smith called "effectual," which is commercial, demand, is no better than a futile waste of labour and material. Now, what the State requires to fill its financial reservoir, is not wealth in the sense of commodities, but means; not boots, but money, which is the power of acquiring boots and all other things as they are needed, and securities for money.

This very rudimentary statement of the self-evident truth that if production loses its market it is worse than non-production, has to be here insisted on, precisely because the whole collectivist thesis rests on ignoring it, on the fallacy of using one and the same word, "Wealth," to designate both the material things produced by human energy from Nature, which the State may go on effectively producing, and the Means or power which each of these confers on its possessor by virtue of its commercial exchangeability, the essential quality which expresses itself in "value," is measured in price, and is capable of being appropriated as *Means*, and which the State is impotent to secrete. The fallacy involved in the use of the ambiguous general term "Wealth," when one comes to think the thing out, will be perceived to be at the root of all collectivism. Your real difficulty will not be in making boots, which are Wealth, but in making money, which is Means, by boot-making; and money is the economic foundation of all the civilization of which history records the experience, from the Egypt of four thousand years ago, to the United States of to-day.

It is conceded that it is no valid *à priori* argument against "Socialism," that it must necessarily be condemned as conflicting with the idea of "property." Such an argument is not conclusive, because the notion of "property" as an abstract and rigid quality which attaches to all rights and everything capable of possession, is not now, and never has been (as Mr. Wells very truly points out †) a fundamental doctrine of civilization. In so

* See *ante*, pp. 39 *et seq.*

† "New Worlds for Old," Chap. IV., § 1.

far as the constitution of society in itself is deemed to rest on assuring the satisfaction of the instinct of individualism, men have chosen to recognize the claim of the individual to dominion; no further. A man's "property" * is just the measure of the degree in which municipal law accords to his possession of things a qualified and conditioned protection. It varies from time to time, from place to place. The ancient Jewish polity thus refused to recognize a permanent individual appropriation of land. The Code Napoleon forbids the capricious disposal by a man of the means of which he dies possessed. The British and American laws very properly hamper the possessor of land, of wealth, of means, each by appropriate prohibitions, with a long code of complex restrictions in respect of his methods of employing them; except "subject to the laws" no man is allowed to "do what he likes with his own." And throughout the world, taxation, both direct and indirect, is nothing more or less than a complicated system of State interference with the sanctity of property. Just as the American humourist pointed out that the earth travels through her orbit in 365¼ days, "subject to the constitution of the United States," so in sober fact, the institution of property is not an absolute law of Nature, but everywhere and at all times the creation of the State by which it is authorized and protected, and which, having the power, has therefore the right, and if need be the duty, to modify from time to time the kind and degree of the authorization and protection accorded, as the necessity arises. This much one may freely concede; and admit, therefore, that it is quite within the discretion of each State to regulate for itself, at the risk of the prosperity and civilization of its citizens, according to its idea of the exigencies of the national well-being, the degree of dominion it chooses to concede to possessors in any one species of things, opportunities, and rights. There is no "universal" or "natural" law of property or "right to property," and the municipal law of each country, which exists to preserve the peace, and to regulate and enforce the will of the people in respect of the rights of property, consists in the latter aspect really of such series of limitations as the civilization of that country chooses to impose on the true primitive "natural law," which is, that he should take who has the power and he should keep who can. It is the prohibitions of the law, and the power and will to enforce them, in which

* See *ante*, p. 36.

consists property, the economic foundation of civilization; and these are effective and beneficial in proportion to the wisdom of the purpose which informs them and their aptitude to subserve that purpose.

But while, therefore, the objection that Socialism is "subversive of property," is not in itself conclusive, it is legitimate to consider to what extent and in what manner any scheme and plan of "collectivism," if put in practice in any nation, would by its results on property affect that nation's civilization. And, what is still more material, one must envisage the problem from the point of view of practicability; how far it could be found possible in any country to persuade the bulk of the people to alter their laws and institutions in the direction of collectivism, and forego the satisfaction of their acquisitive instincts? For until it can attain their assent, the doctrine must always remain an ideal capable of realization only by force and the wholesale shedding of blood.

The unconverted individualist may be relied on to resist, peaceably if he can, but, in the last resort by such counter-force as he can hire, the absorption of his means by the community; and when the time comes for Collectivism to assert itself in action, the suave persuasions of Mr. Wells will be entirely abandoned in favour of the more drastic and compulsory methods favoured by the "left wing" of the party. He gracefully deprecates all forcible methods of revolution, it is true. But in the last resort he also will be driven to it; while others of the comrades, with a better logical insight, look forward to the days of the necessary compulsion with a frankly gleesome anticipation. Karl Marx is the true prophet of Collectivism, and Bakounine was his most orthodox and logical disciple, and the kindly cultivated gentlemen of the Fabian Society will be rejected as no better than a set of heretical schismatics, when the convention of collectivism sits to formulate its faith. One fancies one hears again the euphonious Americanism "mugwumps" contemptuously applied, as the mountain exterminates the Gironde.

For what is it that is bound to happen? Assume that the miracle of the instantaneous conversion of whole world as by the impact of a comet, which Mr. Wells himself in a more lucid moment truly discerned to be the only possible way of bringing about the true collectivism, does not occur; assume also that some one nation is impelled by its collective will to be the first

definitely to adopt the collectivist remedy for the sad imperfections of individualistic industrialism.*

Take it that this comes about first in some one country—no matter which, and call it Collectivia. What must be the course which events will take therein? Why, first of all, obviously the emigration from Collectivia of the unconverted of the propertied classes, taking with them, or rather sending away in front of them, so much of their embodied means as they can lay their hands upon. Cash and scrip and documents and investments and jewels, evidences of claims on the industry of foreign countries and the rest of it—whatever they can contrive to save from the wreck.† There will be left those who cannot escape, and that portion of the mass of the means of the wealthy which is so circumstanced that it cannot be withdrawn—the land and the buildings and all claims and mortgages on them, the "fixed capital," as Adam Smith called it, which is embodied in machinery and other industrial appliances, the inscriptions in the register of the national debt, and the shares in and debentures of companies and associations of enterprise carried on within Collectivia itself; these cannot be taken away, and will remain to be taken possession of in the name of the State, and to form the initial stock-in-trade and "Capital" on which the nation will set to work to employ the future energies of its people. The process of emigration will have long since set in with the first distant mutterings of the storm, and in all the more transferable shapes in which they have been embodied, Means will have been withdrawn long before the national conversion to Collectivism is officially announced. Already in some countries there are signs of this timidity. British Capital, for instance, is already seeking employment abroad, whether it be to the extent of seventy or a hundred and fifty millions annually.‡ To what extent this is due to the superior profitableness of foreign enterprise, and in how great a proportion it indicates a certain mistrust of the stability of British political action under the pressure of the pseudo-socialist

* Mr. Sinclair, for instance, predicts that it will be the United States of America, in which these evils have, he considers, attained their maximum development, which will be the first to take the plunge, and that this will certainly be effected by way of the nationalization within a trifle of five years or so, of the "trusts," which in their way are collectivist in tendency "*sans le savoir*"; and which are preparing no less by their iniquities than by their effectiveness of method the way for their own absorption. "Industrial Republic," Introduction; see also Chap. VI.

† *Ante*, p. 240.

‡ See note, *ante*, p. 242.

acquisitiveness of a democracy, it were hard to determine. And it would not be desirable, though altogether instructive, to elucidate this point by trying the experiment, say, of substituting an eighteenpenny for a shilling income-tax in peace time, and seeing what will then happen in the way of the exodus of Means, and the crippling of industry.

Now for the effect on the efficiency of the national power of producing. You may admit at once the main thesis of Marx, which is demonstrably true, that "Wealth" is essentially the result of labour (that is to say, human energy) applied to land, (which is a short way of describing the resources of the earth and the solar heat), but it is necessary to add, what Marx to the end was unable to reconcile himself to admit, but what the bigger brain of Henry George* clearly discerned: namely that for the effective production of Wealth, Labour must employ Capital; the common notion that Capital really employs Labour, being a mere confusion of thought, due to the fact that it is usually the particular head-labourer who is also the possessor of Means that happens to be the man who decides the course of industry and engages the other labourers to come in and assist him in producing. Now in Collectivia, it is to be the State which will have to provide the Means wherewith to prosecute its industry. How produce it, provide it, earn borrow beg or steal it, from whom and with what? The rich men have gone away, direct taxation there cannot be, for there shall be no private incomes to tax. What arises from the application of the energy of the nation to its land will be received by the State and redistributed among its citizens. In wages probably, some form of medium of exchange, of paper promises to pay, of "labour notes" or similar documents, which will have been devised to replace the gold that, following its own law of motion, will long since have fled to countries of better secured interest. It is true that as far as the internal activity of production is concerned, paper tokens will be equally effectual as a medium of exchange with gold and silver coins. If a nation could provide, as Mr. Sinclair thinks the United States can, from its own resources for all its own needs without the aid of international commerce, it would matter little, therefore, on what sort of material were inscribed the magic characters which transform a piece of metal or

* "Progress and Poverty," Book I., Chap. V.; also Book III., Chaps. III and V.

a piece of paper into the indisputable evidence of the right to participate in the world's Wealth to a given extent.

But with the exception of the little community in Pitcairn Island, no people has ever quite attained to that self-sufficing efficiency. The country of Collectivia, say, more happily circumstanced than the United Kingdom, shall be able, like the United States, to produce from its own soil, all the wheat that its people need, all the meat, and all the dairy produce, all the flax and hides and beer and many other things. But it is, say, a country in the Temperate Zone somewhere, and the people want tea and coffee, tin and copper and cotton, all the raw materials of the tropics, and many other things besides, to supplement their own produce, and to employ their own productive powers upon. How is the Collectivist government to obtain these things which cannot be produced in Collectivia?

"Why by trade, of course, carried on by the State for the benefit of the citizens."

Trade with whom, in what, and with what means?

Oh, of course, trade in the surplus productions of the country. The State will become commercial, *i.e.*, individualist, abroad, while uncommercial and collectivist at home. It will seek the dearest market and export thither the surplus produce of the country, and buy what is needed in the cheapest market abroad, and import thence.

Indeed, and pray with what? With your paper-money, which is quite sufficient for your internal purposes, but of no use at all except in your own market; or with the gold, the money of other countries which following its own law, will keep on flowing to the land of the best interest and best security, and which, if at great expenditure you manage to capture it for a moment, must, like the bottle of the imp in R. L. Stevenson's story, immediately fly back to the country of the most profitable market for gold, the land of the "highest rate of discount"? And how about the goods you will have to export wherewith to obtain the gold with which you must buy the things you need? Around you lie the unconverted individualistic acquisitive nations, with their industrial slaves bound to labour by the nexus of cash-payment, at wages representing it may be, the minimum necessary for the sustenance of the labourer, but yet payable in a currency recognized by the rest of the world and accepted in

its exchange. You, who must need to resort to commerce to get your living—the commerce which is based on acquisitiveness—how do you propose in that commerce to compete with the productions of nations that "produce at the lowest price," in antagonism to you, under the stress of the mononesis of unrestricted competition among themselves and with each other, and which must necessarily undersell you in every market in the world, even in your own, unless you can contrive to exclude them from that by prohibitory taxation? To which last question there can never be a satisfactory reply.

For at this point one comes face to face with a further and by far more formidable obstacle; which is, that to keep at home employment for its population in working to supply its needs, Collectivia will therefore necessarily have to prohibit the importation of everything that can be produced in sufficient quantity at home. Every pair of boots that is brought to its shores from Northampton or Massachusetts will be so much wealth abstracted from its productivity, and so much means deducted from that with which the Collectivese government will be able to buy those things which it will need to distribute among its people. Nothing short of prohibition, not even the ferocity of a Portuguese tariff, would otherwise suffice to preserve the citizens from enforced idleness, or the government production from becoming a mere waste of raw material, or the means of the State, which are to secure the livelihood of its citizens, from disappearing into space; this absolute protection of State industry is inevitable. Without this it would be impossible for the Collectivist State to keep in force among its citizens the ordered habit of industry whereon must be founded its civilization. And this necessity of the protection of every possible product of the national industry by an absolute prohibition of competing imports must extend and intensify.

Next comes the question of the possibility of any country's providing from its own resources the total sum of the material things needed for itself. This assuredly varies with the circumstances of each country. To consider this, therefore, one must transfer in imagination the collectivist experiment for a moment from an imaginary to some real country, and assume a real state—Britain for instance—to be the pioneer land of collectivism. We now produce one-eighth of the wheat supply we need, and,

say, one-half of the meat supply and the dairy stuff.* Certain of the collectivist writers—Mr. Wells among them—have pointed out with no little truth, that by adopting methods of more scientific and intensive cultivation the fertility of a country can be greatly extended; *they* say almost indefinitely; and that the resources of cultivation in the way of increasing production are almost inexhaustible. They point to the market gardens surrounding Paris and the Belgian cities as examples of what might be done (a process, by the way, which could only effectually solve the food difficulty if the population were content to subsist on cabbages instead of wheat). What is fairly obvious is, that if all the land of Britain is brought again under the plough, the meat supply, which to cope with the demand would need the retention of a large proportion of it in pasture, must proportionately diminish. Whether it would be really better for the Briton to produce, say, half of his stock of wheat at home, at the price of relying for nine-tenths instead of one-half of his animal food products on other countries, is a question of detail. This aspect of the problem none of these gentlemen have found time to work out in figures. They have to rely on the general assertion, so freely made and so exceedingly difficult to either verify or confute, that every country, even the most thickly populated or least fertile, is able to maintain its own population in food if only cultivation is carried on with sufficient scientific skill. To the less sanguine it seems that to make sure of this sufficiency it will be needful in some lands first very materially to thin off the population by emigration;—or otherwise.

Apart from the question of food supply, however, what really has to be considered is the practical problem of the effect of collectivism on the efficiency of the State as a general productive agency. Adequately to discuss this would require volumes. Much that may be found in the current "political economy" of the nineteenth century in disparagement of State action in the economic field has been overstated, and this adds to the difficulties of an accurate analysis.† Mr. Wells is justified in saying that in the act of working a something else and better is present to the will and intention of the worker than the mere thought of the wages he is getting; a pride and satisfaction in the work he is doing, a certain joy of the conflict with Nature, a certain

* See also Sinclair, quoting Prince Kropotkin, "Industrial Republic," Chap. III.
† "New Worlds for Old," Chap. V., § 2.

craving to satisfy the appetite of energy for employment. That is true as far as it goes; but it evades the real question, which is one not so much of the quality as of the quantity of the work you can get done by the average man when the spur of absolute physical necessity is withdrawn, and the cash-nexus of individualist acquisitiveness gives place as a motive and inducement either to the pride of the individual worker, or the sentiment of patriotic duty, or, what would probably prove the most effectual inducement of the three, the *vultus instantis tyranni*, the grim compulsion of the collectivist taskmaster.

This question of the efficiency of State compulsion as a substituted inducement for the impending pangs of hunger, has always been dealt with in an airy and optimistic manner by socialist thinkers. Granted that the craftsman at his bench, the author at his desk, and the artist at his easel; that many others of those who under individualist conditions produce and serve efficiently in their several ways, would under collectivist conditions still strive to express the best of themselves in their work. How about the miner in the pit, the minder at the loom, the stoker at the furnace, the toiler whom necessity compels to other still more arduous and distasteful fatigue in entirely unwelcome tasks, but yet whose co-operation in these is an unavoidable necessity of the life of the community? By what contrivance of compulsion are these services to be secured, and the necessary average amount of work get done by each, when you have withdrawn the incentive of hunger and have to rely on the sentiment of public duty of the workers, reinforced by the occasional admonition of the State inspector? How do you propose to answer if the coal-miner should say, as he would be justified in saying, "Here I have worked underground for fifteen "years, honestly and fairly producing my appointed tale of fuel "in each shift, in the hot dark danger of the bowels of the "earth. It is enough. It is now my turn to be an engineer or "a musician or a landscape-painter. Bring me forth, and educate "me afresh, and set me to a more welcome task, and bring here "that subsidized ex-duke from Belgrave Square, or yon distin-"guished literary Fabian from Sandgate, to wield the pick in "my place. I and my family are off to South Kensington to "study æsthetics. Have I not too been born in Arcady?"

". . . . auch mir hat die Natur
Bei meiner Wiege Freude zugeschworen."

In a country where the worker is the master, what answer ould there be to such a demand? The old capitalist one was uite simple, "If you do not work you will starve, and we have the right to prescribe what you shall work at." But this is o longer available. Will the inspector be able to say to the iner, "You have to work at such a task for such hours and at such wages and during such portion of your life as it shall suit the community, which is ourselves, and which is omnipotent, to prescribe"? If so, in what way will the status of the citizen nder a socialist *régime* show an improvement over that incident o the "slavery" of individualist industrialism? In truth, com- ulsion in some form is the inevitable necessity and condition f all civilization.* Does it after all seem any great thing to gain hat the compulsion of collectivist external force should be sub- tituted for the more spontaneous impulse afforded by the ndividual requirement for food shelter and raiment, as the ompelling incentive to industry?

And this word "incentive" brings one to the consideration of he stock objection to Collectivism, that which keeps on occurring o the mind of the "man in the street," which has its force, less onclusive than is imagined by those who use it, but more so han is admitted by those who seek to evade it. The State, as e have seen, however collectivist internally, must, as directing he industry and commerce of a nation, be acquisitive and ndividualistic externally. It must gain and accumulate means n order to feed its people and to be in a position to appropriate or their benefit to the necessary extent the wealth of the world. he initial difficulty of effecting this as against the competition f acquisitive individualistic nations has been sufficiently adverted o. There is no space further to enlarge on it. But then comes he other question. What sort of machine will this State of ours prove to be? Can its direction of things be made effective ndustrially commercially financially, with the machinery in the ands of a bureaucracy?

A person who, howbeit on the small scale of a Crown colony, as had his little share in assisting to direct the government of community, is entitled to bring the testimony of personal xperience to bear on this point. The writer has found that all tate officials are of two kinds: those, the more numerous, who et through their work honestly enough, with the object of

* *Ante*, p. 209.

"performing their duties," gaining the approbation of their superiors, and, with the necessary minimum of expenditure of brain-power, qualifying themselves for the pensions which are the real ultimate objective of their endeavours; and the restless energetic uncomfortable minority, who keep before their eyes above all things the interests of the community which they serve, and cannot be satisfied without "leaving things better than they found them." The men of the majority are undoubtedly the easier to deal with, the more observant of routine and convention, the people who "give the least trouble," and therefore are more likely to obtain from the good-will of their superiors the promotion which all alike reasonably and properly desire.

"*Surtout point de zèle*," from the "service" point of view, was probably the soundest injunction ever impressed on an aspirant to public office, but it does not conduce to efficiency in the same way as the competitive struggle of individual adventure. And it is only the occasional unwelcome intrusion into a "department" of some energetic member of the minority, which saves the administrative organism from stagnation. The highest qualification of a statesman, it is true, is a simple-hearted devotion to the public welfare. But in officialdom this is apt to be looked on as a public nuisance, when it too strongly characterises the "deputy sub-inspector." The restless inventive ingenuity which may make the fortune of an artizan, the combination of foresight and daring which may lead some subordinate in a commercial firm to the armchair of the partner, and the genius for figures and insight into the futures of values by which men acquire eminence in finance, are all suppressed instead of stimulated by the exigencies of an official career. In officialdom, a correct routine is of necessity the orthodox tradition, and order and discipline are far more welcomed than genius daring insight or originality. So it comes about that that man is deemed the most worthy of encouragement, and so gets the upper hand, who least troubles his superiors with original "minutes" and inconveniently startling innovations of method and principle. Officialdom is essentially the domain of safe and mediocre respectability, the sanctuary of "use and wont," discarding all initiative and entrenching itself in precedent. For the Government servant, individual acquisitiveness outside the lawful scope of salary promotion and pension, is the forbidden abomination; and this is inevitable. But if you are to eliminate

he quality of acquisitiveness in each individual, whence are you o recruit the army of inventors, adventurers, speculators and riginators, on whose efforts the world has instinctively relied in he days of individualism, and of whose service the State will ave more than ever need, when it becomes a vital necessity to t as a community to prevail in the contest of international cquisitiveness; when it becomes a question for the nation's ery existence whether it will acquire or perish? * The ant needs o individuality in the construction of the nest, the bee no nventiveness for improving the process of extracting honey from lowers, or devising more economical methods of storing it in ells. And when the human community has taken on the emblance of the ant-hill or the bee-hive, the qualities which, as hings are, are born of individualistic competition, will more han ever be needed to enable the State to succeed in the conomic functions of the common life. It is all very well to ay, "But we are going to absorb into our employment the very ' men by whose exertions all this fabric of individualism and ' capitalism has been built up. Rockefeller is to be chief director ' of oil mines, Carnegie we will make president of the Board of ' metal-workers, Harriman shall be minister of communications, ' and Pierrepont Morgan director of the commercial finance of ' the Republic. These trusts and combines which they now ' direct and from whose inordinate rapacity we suffer, are really ' only the initial stages towards the universal absorption by the ' State of all industry and commerce." †

Oh, indeed! but how do you propose to compel these men or uccessful men like them to come in, sink their individualism, nd harness themselves with red-tape to the chariot of the State? hey will all have sent their money and securities off before hem and be calmly contemplating your struggles from far Paris r Monte Carlo. And even if you succeed in somehow laying old of them or others like them, do you for a moment imagine hey will continue to bring to the performance of the duties which omehow you are going to compel them to assume, the energy nd daring, the eagerness, and it may be, unscrupulousness of ction with which they have distinguished themselves in the vocations of individualism? Even were they willing to do so, he State would be forced to forbid them.

* *Ante*, p. 30.
† *Ante*, p. 349 in note.

Nor is it conceivable to a retired public servant, by what process the most qualified people can be selected to fulfil the duties of direction and so to say, adventurousness, in the collectivist State. By no process of selection known to us can we attain to the cruel accuracy of the automatic selection of private adventure, which has brought productive industry, competitive commerce and regulative finance to their effectiveness. In officialdom, seniority has its claims, conformity to precedent and regularity of method are so indispensable that it is inconceivable to the official mind that they should be lacking, and without a complicated and to the outsider vexatious complexity of formalities and records, it is impossible for public business to be transacted at all. From the members of a bureaucracy, all of whose training has consisted in cultivating and perfecting in themselves this sort of fitness, you are to select the most effective for industrial and commercial command by some process of examination. Now how is this to be carried on? How many marks will be accorded in a competitive examination for the high places in the industrial commercial and financial State hierarchy of the future, to venturesomeness, to foresight, to decision of character, to the gift of resolute persistence in unpopular plans, to the power of making oneself when necessary disagreeable to the chief of one's department, to the endurance of sleepless nights of thought, and to that mysterious and elusive element of success, which is the magnetic power of "turning everything one touches into gold." "Luck," men call this, and there is an element of fortune about it undoubtedly; but what it mainly is, is the power of intuitive judgment and the capacity of instant decision to act rightly at the opportune moment. In the industrial and commercial world, the man succeeds who knows how to seize a momentary opportunity of action, and can control his own fortunes by seizing it. This opportunity is not going to wait for you, while the State superintendent of this or that sub-department of industry or commerce consults in due form the authorities of the public department of which his own is a branch, where to buy this or that material, to seize this or that opening for a market, to buy up some monopoly, or to enter into some important combination to counteract the danger of this or that mononesis. What is needed is immediate action on the responsibility of the individual, who acquires opulence in the measure of his promptitude and courage; the responsibility for important decision and action in

such matters cannot be made to lie on the shoulders of the individual public servant. It must be assumed by the collective wisdom of the community, approachable only by the routine channels of minutes, annotations, and suggestions in the prescribed form, eventually to be settled, if the idea is approved, by ministerial councils, the decisions of which have to be formulated in similar procrastinatory documents and go down the prescribed channels, till they at length reach the executive hand a few months after the particular opportunity has been seized by someone else.

On one memorable occasion in English history it occurred that the Government of the country was able to effect a very significant and marvellously profitable stroke of business, to the momentous importance of which history records no parallel; and this was initiated and decided on, "most unconstitutionally" we were told by indignant opponents, in an hour's conversation between the Prime Minister and a great private financier. Opportunities of fortune of such great magnitude may never recur, but lesser ones arise from day to day. None will wait on constitutional formalities. They disappear as instantaneously as they arrive.

And these emergencies will in the collective State occur not exceptionally and occasionally, but as parts of the common daily necessity of State industry and commerce. A State hierarchy is essentially incapable of utilizing the momentary opportunity by seizing which it is alone possible to acquire means in competition with the keen business intelligence of the world. What will be needed by the State in its servants, if it is to succeed in its career of manufacturer merchant and speculator, and feed its people by its success, is not a dignified and courteous bearing, a respectful adherence to official tradition, a reasonable submission to the restraints of red-tape, a pleasant address, the kindly appreciation of one's superiors, the faculty of conciliating the good opinion of one's colleagues in office, or any of the other amiable qualities which in the existing official world bring about the promotion and prominence of the public servant, subject always to the "paramount claims" of "seniority," the sheet-anchor of the official and the chief of all the obstacles to efficient administration. The qualities needed cannot be imparted.

In the workings of individual acquisitiveness the incompetent go under automatically, and the ready and powerful succeed in the nature of things, and those who are successful are not

"officers of longest standing," but those who have attained success for themselves, now and then by luck, more often by virtue of personal qualities which misfortunes buffet in vain. And this is the real competitive examination of individualism, by dint of which a self-acting process of natural selection chooses out the men by whose altogether egoistic strivings, Means are somehow accumulated which are the embodiment of power and efficiency and the economic life-blood of the community. It is these Means which by being utilized, become available in the long run for the economic needs of the people of the nation, and form as "capital," the indispensable foundation of its civilization.

The consciousness of all this is part of what is vaguely in people's minds when they deprecate collectivism as "depriving industry of its incentive." But there is another and more self-regarding part of the same thought. Each man is really all the time thinking of himself, his own savings, his venture in this or that industry of speculation, the trade in which he has embarked his greater or smaller means, his hopes of accumulation to provide in the future for the needs of those dependent on him, and of how things are to be for himself and those like him, when his individualistic efforts have been superseded by collective enterprise.

Few are passionately concerned for the welfare of the hypertrophied excessively wealthy. With no great pangs of grief or sympathy, the average American business-man, for instance, would "assist" at the overthrowing of the "bosses" of the "trusts," and the dissipation of the fortunes of the magnates of finance; and could only this movement towards Collectivism be so controlled as to stop just above his own level, he would even be prepared to welcome it, for it seems to each man that the general need of society for the results of acquisitiveness can well be satisfied by just so much accumulation of means as is attainable by the more modest exertions of himself and his fellows. Not vulgar envy, but an uneasy sense of impending absorption it is, which induces the unrest of the individual adventurer in the presence of a more effective and potent system of acquisitiveness than his own.

But reflection convinces each in turn that his own fate also is bound up with that of the inordinately wealthy, with whom he could otherwise so well reconcile himself to dispense. The shareholder, the man with savings which he has poured into the

reservoir of the bank the company or the insurance office, to be employed by them for profit in the very concerns which are directed by the over-fed plutocrats, realizes soon enough how his fate is involved in the continuance of their functions; the artizans, the "funds" of whose unions and provident associations are similarly "invested," and depend, therefore, for their solvency and productiveness on the security of Capital, are not going to be reconciled to see these drained away into the collective lake, even by the prospect held out of its being kept free for them especially to dip their pipkins into.

Each of these in his turn, while feeling no particular goodwill towards the inordinately wealthy, will be impelled by a sense of common danger to gravitate towards the individualist camp when the push comes, "paries quum proximus ardet," and to range himself on the side of the enemies of "socialism." But this tendency towards a conservative resistance to Collectivism inspired by a personal apprehensiveness of the consequences of "confiscation," and by the tenacity with which each man who has property instinctively clings to it, derives its most effective support from the general distrust both of the efficiency and of the methods of any bureaucracy with whose supremacy the Collectivists can replace the dominion of the "Capitalist." The burthen of monopoly, the inflated price, the exaggerated gain of the producer, and the oppression of the consumer, men may strive to counteract by mitigating the severity of monopolist restriction, by lessening taxation on imported goods, by checking or revoking privileges improvidently accorded, by cheapening and facilitating transit, and imposing bounds on the legal rights and facilities of corporations and combinations and unions both of masters and of workmen. The opposite evils of "mononesis" *—the starvation-wage, the "diminishing return" and the voracities of parasitism, are susceptible of being combated by combinations of employers and unions of workmen (which imagine themselves to be mutually antagonistic but which in reality are incessantly working in unconscious concert to protect their common interests from the general rapacity of the consumer), by trade rules discouraging over-production, by the imposition of import-duties in case of need, and by other generally restrictive legislation. Each of the two conflicting tendencies when left to themselves tends to counteract the excess of the other, and

* *Ante*, p. 46.

both can be regulated to this salutary end under the guidance of an enlightened empiricism; so that the exaggerations of "Free Trade" and "Protection" alike keep on, on the basis of individualism, undergoing correction, not only by their own mutual antagonism, but also by the operation of the collective enlightened self-interest of the community.

But what force can intervene to save society from the consequences of the "immense stupidity" of officialdom, when once this has been enthroned as the director and arbiter of the national life and work? That is the question which till satisfactorily answered, is and will ever be at the root of the general conviction of the impossibility of collectivism. It is not answered by pointing out that as a matter of fact there are many services in which State and municipal organization have done good work. The splendid achievements of the British Admiralty, for instance, indicate no probability that the commercial supply of ships to compete with the shipbuilders of the rest of the world could be left in the hands of a Board of mercantile ship construction, charged with the duty of underselling in price and excelling in quality the shipbuilders of other lands. It is customary to point out the city of Birmingham as an eminent example of the success that may attend municipal enterprise in the way of providing sanitation, lighting, transit, water supply, and other uncompetitive services on a legitimately collectivist basis; but the writer, himself a former burgess of that city, takes leave to deny that even there, where public spirit and the devotion of the citizen to his community runs higher than in most cities, it would be possible conveniently to municipalize even so much as the complicated competitive trades of the local distribution of goods. While as for the greater and the lesser industries of local production for world consumption, and the organizations of trading and finance by whose aid they are carried on, these are utterly beyond the grasp and competence of any conceivable municipality. They are all world-processes, locally habited, it is true, in a particular city, and employing the labour of its inhabitants: but each one deriving its material from and exporting its produce to the whole world; carrying on its most ordinary functions subject to world-conditions which no municipality can regulate, and depending for its existence on the co-operation of acquisitive commerce in every market of production and consumption on the face of the earth.

By what conceivable method could the corporate authority of that or any other city—or, for the matter of that, the State-government of this or another country in the world, acquire and keep to itself the regulative power over world-processes beyond its borders, which it must have, if it is to ensure success in these intricate world-processes? To anyone who knows what commerce really is, the idea is just unthinkable; it is only conceivable by the theorist and the writer of romances. These elements of chance and luck and risk, which as a matter of course are faced every day by every individual producer and distributor, by the directors of the greatest industrial and commercial enterprises, no more than by the humblest petty tradesmen who distribute their wares, is one which the Government official in the course of his duties will not and must not be allowed to face. If he were willing to do it, he would have to be prohibited by the necessary conditions of his service.*

Every day in the week some individual industrial producer disappears, some company goes into liquidation, some tradesman files his petition in the county court, some Means vanish from the grasp of one man to be reaccumulated automatically in the hands of others. All this is without effect on the sum total of wealth production. What thus happens is the normal process of the dispersal and redistribution of Means, entirely analogous to the corresponding consumption and reproduction of Wealth which is the daily food of civilization. The general course of affairs goes on just the same, the total accumulation is in no way affected. For the world-finance sees to it, that so much capital as can be profitably utilized in each industry and trade and in each country shall continue to be supplied through the channels of the banks.† Thus it is automatically ensured that the "withering" of the individual leads to no interruption of the general economic process. Indeed it furthers it by the salutary weeding out of the unsuccessful. But how about the unsuccessful municipality, or the insolvent State?

In a casual conversation, an eminent country-bank manager, in one early day of January far away back in the seventies, expressed himself to the writer somewhat as follows: "I have just made up our last year's books, and we have had an excellent year. We made more than our usual proportion of bad debts.

* *Ante*, p. 345.
Ante, Chap. VIII.

Of course you understand how healthy and necessary that is. Trade could not get on nor could we do our business without them, and I always consider it a good year for us when the amount written off for bad debts is large. I myself am always urging my directors to shut down the losing concerns, and if I had my way completely there would be more of it. It brings down a trifle our balance of profit for that year, but ensures our prosperity for the years that follow. It is necessary for us to wipe out in each year the people whose accounts no longer pay; for if we did not, the trade of the community would decay, and our business with it: all these customers of ours are really working for *us;* and when an orange has been sucked dry, the sooner the rind is thrown away, the better." In this way it is that a cynical pitiless individualism works out to the survival of the fittest. Whether salutary or sinister this is the process by which competition secures efficiency. The point of the general objection on the gound of "incentive" is, that collectivism affords no conceivable alternative method of ensuring success.

A State department is entrusted with the function of directing some branch of industry, say the making of cotton-yarn and cotton-cloth for instance. The duty of its officials will be to keep on producing these particular things, and to keep employed at the regulation wage the prescribed number of citizens in their production. It is this, the employment and remuneration of the operatives, which has to be considered the main public object, all the rest being merely means to that end. If a slackening of demand depresses values, or a scarcity of raw material impedes production, the duty of the State is still to go on producing at any loss so as still to find employment at the prescribed rate of wages; for it is to ensure that end, that the electorate of the constituency will have accepted "socialism," if at all. Under the individualism of the unenlightened days these impediments would somehow have been surmounted—"profits" would have fallen, mills would have been put on short time, some of the weaker "capitalists" would have been ruined, wages, though not without resistance, would have been reduced, till at last things came round again, and the struggles for survival attained sufficient force to bring the complicated machine back to its normal efficiency. But when all these cruel natural modes of remedy have been superseded and prohibited, when the "right to work" has become the

recognised constitutional birthright of every workman; then the first duty of the State will be to find the means for carrying on business at a loss if necessary, in the face of the competition of an individualistic world, to provide men with employment. Now what can possibly be the eventual outcome of this, but universal bankruptcy and chaos? The entire scheme of State production must fall to pieces, as it did in Paris in 1848, before the inexorable fact that at some time or another this state of things is certain to supervene, first with respect to one industry, then to another. However ingenious the schemes for distributing goods among the population, their power of producing goods is incapable of being utilized beyond the limits of the internal demand without external commerce; and the conduct of this is possible only when industry in its turn is conducted on the commercial, that is to say individualistic basis, when profit and not some other incompatible purpose determines enterprise.

There is no intention in the mind of the writer to speak disrespectfully or otherwise than with sincere sympathy of that claim to consideration, and if possible to compliance, which is indicated by the unfortunate and fallacious expression "the right to work." * The idea lies behind all schemes of collectivism. If every man, and for the matter of that, every woman, has a claim to the full employment of his or her faculties, whether in producing commodities, or children; that claim connotes a corresponding duty on the part of society to find the means to satisfy it by some comprehensive reorganization, and this involves the complete remodelling of human institutions and must inevitably destroy "things as they are." The use of the word "right" to denote such a claim imports an obvious fallacy. Humanly speaking, "right" is the creation of law. In the only accurate sense of the term, what the law gives is a "right." Thus, by British law, a man has a "right" to live, because the law not only restrains and punishes murder, but prescribes a definite legal "right" to the food subsistence without which life is impossible. But there is no correlative "right" to an employment whereby that subsistence may be earned. The legal obligation is not to afford employment, but food shelter and clothing. Collectivists propose that in some way such a legal right should be conferred, and that the individual should

* *Ante*, p. 201.

be legally entitled to demand such employment; and inasmuch as it is impossible to compel other individuals to furnish it, the remedy of the collectivist is to cast the duty on the State, which must first become the universal employer, then apportion out the task for each individual and regulate in some way the remuneration which it is to be legally compellable to guarantee. When this liability has been assumed, it will be time to speak about the "right" in the scientific meaning of the word, which implies necessarily a somebody or something subject to a corresponding legal duty or liability. In the meantime the writer, while insisting on the practical impossibility of conferring this right and imposing this obligation, is more than ready to recognize that there is an overpowering *claim* of every human being that the institutions of his country should, as far as possible, be so moulded as to afford the utmost scope to the employment of all human energy within its borders. Not philanthropy alone, but the collective self-interest of the nation —that public safety which is its supreme law—demands a recognition of this great and pressing necessity. Were any reasonable workable plan propounded, the writer would be disposed to further it, even in disregard of what is called the "right" of property; which is in itself but a similar creation of municipal law, subject like all human laws to be set aside under the pressure of adequate necessity. But no suggested method by which this claim can be turned into a right even looks like being coherent or practicable. Here and there individual experiments have been made, every one of which has issued in dismal failure; and the expedient of throwing such an obligation on the State has proved, and all Utopianism to the contrary notwithstanding must ever remain, disastrous. And before a sane man, however sympathetic, dare commit himself to support any proposal to make things as they should be by some immense revolution, he must satisfy himself of its concrete practicability. Failing this, he must be content with the less heroic course of endeavouring to make the best of things as they are. To the present writer it appears demonstrated that the general conception of the thorough-going collectivist is one incapable of practical realization, unless Mr. Wells' vision comes true, and the whole planet is simultaneously converted to the dogma by some mysterious cosmical transformation of the natures and wills of mankind, as by the impact of a comet on the earth.

CHAPTER XIX

SOCIALISM. PART II.—LAND NATIONALIZATION

In respect of property other than land, Mr. George, and those who follow him, repudiate confiscation. But land, according to them, is the natural agent which belongs to all mankind, and out of which is created the Means which supply the necessities both of the Man and the State. They suggest that by causing the State to appropriate Rent, the people of each nation will obtain enough, not only to provide all that is wanted for what is already recognized as individual expenditure, but also some sort of State distribution by dint of which, in some way not clearly indicated, indigence is to become affluence, and the misery of extreme poverty will disappear. The fundamental idea of Mr. George therefore is not to suppress rent, but to divert it into the "fiscus." The tenant is not to be displaced, nor the land redistributed among the landless, as in the more ambitious collectivist scheme; but instead of paying what he has agreed to pay and is willing to pay to the squire or the duke or the owner of the row of tenements, the occupier is to hand the cash to the receiver of taxes for the district, from whom it will be passed to the national or municipal exchequer, there to be dealt with as may best subserve the public purpose. One fails to appreciate how exactly the benefit of this re-distribution is in practice to reach the poor human being for the effectual relief of whose misery one would almost be glad to welcome any plan of re-appropriation. To solve this, like every other problem of economics, one has to condescend to the concrete instance at once.

Take the case of the two poor girls with 8*s.* 6*d.* a week between them, whose case was mentioned on p. 329, *ante*. The mother is still to continue to pay her 6*s.* 6*d.* a week for her two little rooms, for that is and must continue the market value of her occupation, and the demand and supply being as they are, she will get them no cheaper. But she shall pay them into the tax collector's office, instead of to her present landlord. The "company" who employ the girls will still pay the thousand pounds or five

hundred pounds a year "rent" or whatever it may be, for their factory, though to another person than at present, and being commercially subject to the Mononesis of competitive production, will have to go on paying starvation wages, or stop employing altogether. What one wants to know is, how are these children going to benefit by the substitution of one place for another, at which these rents should be paid in, and in what form the poor family is going to participate in the spoil. To parody the ingenious Mr. Shaw: "you think they will, but they won't." Whatever it is which represents the proportion of the rent of their little dwelling which at present is paid as rates to the local authority by the landlord will no doubt in part be remitted. But the pressure of the cost of subsistence of this particular family will not thus be lessened *pro tanto*, because the market value will not be affected by the remission, and therefore they will go on paying 6*s*. 6*d*. a week, which now is the measure of the desirability of their tenement, and depends upon the available supply of such accommodation as compared with whatever quantity is at this time called for by the general demand. Eventually, as the disappearance of rates facilitates the provision of an enhanced supply of houses, there will be some tendency to fall, no doubt. But except in this respect how is it proposed that the surplus of public income, if there be one, is to find its way to relieve the poverty of our family? Something will be gained, no doubt, by the disappearance of indirect taxation (uncommonly little in the case of such a family as this; for what the Government will be able to remit on this head will be mainly absorbed by others in cheaper and more plentiful beer, and a bigger consumption of tobacco and cigarettes).

Then is this family's share of the spoil to be paid direct, in cash, or in kind? Is it really suggested that a State *bureau de bienfaisance* is to be opened in every street and every country village, to distribute the surplus in boots, or groceries, or cash? If so, the contributions of the benevolent will cease, and the poor people be no better off than before. And then, will anyone undertake to fathom the infinite corruption and mendicity that must ensue? Or is the means to be poured into the bottomless abyss of universal superannuation allowances for all people over sixty, or for the matter of that, over forty, or over whatever other age it may please the democracy to assign as that after which a man ought to be encouraged to retire on his pension, and loaf about

instead of setting himself to obtain work? One thing is clear, and that is, that whatever else may be attained by such a method of distribution, it will have no more effect on the rate of wages than on the precession of the equinox; for that rate is settled always not by what the employer would like to pay, but by what he is obliged to pay, the market price which is settled for him by the desirability of labour.

If he wishes to pay more, he will be starved out of existence, and undersold by those who pay less. And there is an end of that dream.

Mr. George arrives at his conclusion that the State must "absorb the landowner by taxation," by a very interesting and circuitous bit of reasoning. First, he lays down what can here best be paraphrased (bearing in mind that the writer repudiates the use of the word Wealth to denote anything outside commodities themselves) that the Means derived from any industry are necessarily distributed in three parts: what goes to rent, to wages, and to the interest of Capital, respectively.* So far good; that is perfectly true, and is the only completely accurate account of the matter that has ever been given by any political economist. "Profit" of course, is simply the wage of the head workman,† of the adventurer who decides what is to be produced, and when, and how, and how much, and by what contrivances, and with what material.‡ "Risk," which some writers puzzle-headedly make so much of as an element to be compensated,§ George rightly eliminates ‖ as only the element of uncertainty of each individual effort averaging itself, and therefore in the result working out in average productivity; and the truth of this is also evident, the only marvel being that the wearisome professors never perceived it before him, and that even after he demonstrated its real nature, some of them still continue to bleat forth their platitudes about it. "Abstinence," ¶ one of the venerated avatars

* "Progress and Poverty," Book III., Chap. VIII. See also *ante*, p. 173.

† Marshall, "Principles of Economics," Book VI., Chap. VIII., § 1. See also Nicholson, Book II., Ch. XIII., § 9.

‡ Bagehot, "Economic Studies: The Postulates of Political Economy," p. 69.

§ "The rate of profit greatly exceeds the rate of interest. The surplus is partly compensation for risk." Mill, "Principles of Political Economy," Book II., Chap. XV., § 1. See also Nicholson, Book II., Chap. XIII., § 8, "Principles of Political Economy."

‖ George, Book III., Chap. I.

¶ "There is also Capital; and this being the result of abstinence, the produce, or its value, must be sufficient to remunerate not only all the labour required, but the abstinence of all the persons by whom the remuneration of the different classes of labourers was advanced." Mill, "Principles of Political Economy," Book II.

of the deity "thrift," is only another name for the economic surplus. "Interest" is interest, the hire without which Means refused to be employed as Capital; and which their possessors will insist upon receiving, or retire from employment; indifferent whether Bastiat's * sentimental justification of it is "morally" correct, or whether you prefer the amusing apology of George,† who attributes the "morality" of it to the right of all Capital to participate in the natural increase, because all is exchangeable into things which bring their increase in the course of Nature, all of which seem to the writer impertinent matters to introduce into a treatise on economics, and beside the point altogether. What is left after wages and interest are satisfied, true enough therefore, is absorbed by rent. All this is, as a doctrine, as plain and true as any truism that was ever uttered. Therefore (and here comes the involved fallacy) the less the rent, the more there is left for wages and interest; and as interest works itself out as a constant sum, depending on the average remuneration for Capital at the market rate obtaining in the world, that in its turn may be ignored. And therefore, in the ultimate result, the less the rent the bigger the wages; "meaning thereby," as the lawyers say, the weekly wage of the manual operative. *O ter sancta simplicitas!* One marvels how a writer, so acute, and of such penetration when dealing with the fallacies of others, should have persuaded himself of such poor stuff; for sincere this writer is above all possibility of suspicion. Of course Mr. George must have known "somewhere at the back of his head," that the true competition is not between rent and wages, but between the respective wages of the different classes of earners.

The under workman complains that the over workman gets too much for himself; it really concerns him but little that the man who owns the land on which the factory stands exacts three hundred pounds a year instead of two hundred and fifty for his "rent" as the case may be; what irritates and annoys him is that the "firm" pockets twenty thousand a year, partly wages partly interest, while the journeyman has to be content with twenty-five shillings a week. Assuming that you suppress rent altogether, how infinitesimally that step must tend to raise the

* "Or, ces avantages qu'on s'était préparés par le labeur . . . est-on tenu de les conférer gratuitement à autrui? . . . Ce serait légaliser, organiser, systématiser l'injustice elle-même . . . Posons donc en fait que l'intérêt est juste, naturel et légitime." Bastait, "Capital et Rente," Chap. VII.

† "Progress and Poverty," Book III., Chap. III., pp. 160—169.

market value of manual labour! How the employer will be thereby enabled to pay more than the market rate when exposed to the competition of other producers for the custom of purchasers Mr. George and his friends give one no sort of notion. For the purchaser will decline to pay more than the "market rate" for his wares, no, not if the heavens should fall as a penalty for his refusal. In the real world, that happens which even Mr. George was not wide-minded enough to appreciate, namely, that it is the productive power of the whole world that competes for the custom of each country and each subdivision of a country within it. Mononesis is the general law of economic Nature.

And this does not by any means complete the enumeration of the absurdities of the conclusions arrived at in this historical book, the introductory reasonings of which are stated with such powerful insight and with so sincere and appreciative an intelligence of the nature and origin of the evils for which the author suggests his remedy. For, as has been already pointed out, this turns out to be not the abolition of rent, but its transfer to the State. Which being so, the whole disquisition on the "division of Wealth between Wages, Interest and Rent" might have been advantageously left out of the book, for it has nothing on earth to do with the conclusion. If the State is to be the landlord, it will, like any other landlord, either exact the full value for its land, or else let it to its tenants for less, and thus make a present to those who occupy it, and create a privileged set of beneficial sub-owners whose tenant right or property (like that of the beneficiaries of the late Mr. Gladstone's Irish legislation), they in their turn will seek to sell or let at its real value to others, putting the difference, the premium of the excess of under-rent, into their own pockets; and how this is to benefit the general class of poor "workmen" is indeed a curious problem to consider. But the absurdity does not end here. It is complicated by a weird and abstruse disquisition* on the difference between the "natural value" of the land as determined by locality and its intrinsic (!) desirability on the one hand, and the gross value of the land *plus* such improvements as the hand of man has added to it—fences, buildings, irrigation works, drainage and all the rest of it on the other, as if it were possible to separate the one from the other or deal with two sorts of property on the basis of an abstruse and incalculable double

* George, "Progress and Poverty," Book III., Chap. II.

ownership! A hierarchy of commissioners is to sit, if you please, one for each parish or part of a parish, having its own commissioners to inquire into the history of each piece of land, to determine how much of the value was the "gift of Nature" and how much has been added to it by human exertion. One would like to ascertain for instance the "prairie" value of the thirteen miles of empty cylindrical space between Brieg and Iselle on the St. Gothard railway, or of the ditch filled with water (which is no man's property), across the desert between Suez and Port Said! Admit, says Mr. George, the property of the existing landlord in what has been added by labour, and absorb in taxation the annual value of the land itself as part of the resources of the State or the locality!

It is characteristic of all the theoretical proposals of literary gentlemen for settling public affairs, that they should all be of a nature for which the practical person accustomed to deal with public business is unable to conceal his derision. They are all "old maid's children" alike. It requires a person who knows from experience what public business is, adequately to appreciate the gigantic absurdity of proposing to settle such matters by commissions. One thing strikes the ex-public-official, and that is, that the post of commissioner would be a very snug and enviable one, and provide the "soft job" of a lifetime for thousands of impecunious persons of varying trades who would be lucky enough to make friends of the powers that be.

But assume that the commissioners have done their work. The duke is adjudged the owner of his houses and the outbuildings, of the amenities of the gardens and glass-houses which his father has made and he himself has improved, of this hedge of box, which his grandfather planted, of that artificial lake which his uncle brought in, of the drainage-pipes under the farm lands which another ancestor provided, and of the road which was laid out by yet another, and so to the end of the chapter. But the dotted park (*quære* the trees that they have planted?) and the surface of the meadows, and the ground on which or in which all these things have been put, is the property of the county. They are co-owners. Now who is to manage the joint property of this indissoluble partnership, and whose interests are to be considered in the letting of it and the use of it and the rest? Is the duke to be allowed to take away the house and raze the walls and to uproot the fruit-trees that he has planted,

and drain off the water of the lake and fill it up again, and dig up his drain-pipes and sell them? And if not pray why not? You admit they are his property.

Or take another case. Here is a mill and machinery, some fixed to the freehold, some moveable in the eye of the law; but all as useless without the fixed part as that is without the moveable contrivances adapted to it. The thing is only useful and will only bear rent as a going concern, its separate parts are useless. Take away the factory and the land is altogether worthless. You cannot take away the land from the factory, because you have nowhere to put it. The commissioners may guess the respective proportions to be adjudged to the State and the owner, but by no measurable or ascertainable principle of decision as to what rent the State will be entitled to exact from the owner of the mill, or if the whole concern is collectivized together, what compensation is to be paid by the State to the owner. The market value of that piece of "land" is not to be ascertained by comparison with other pieces of land, for each arises from the desirability of specific concrete things, and no two things of this nature are alike in their attributes. And so one would go on following this chain of impossibilities from one piece of land and class of properties to another to the end of the chapter. And at the end comes the biggest absurdity and impossibility of them all. Mr. George and the school of land nationalisers who have adopted his panacea of the expropriation without compensation of all land-owners, strenuously combat the extension of that idea to other species of property advocated by the thorough-going and logical collectivists. To those therefore it is permissible to address the objection against which these are proof, which is that the possible confiscation of any one species of property attacks equally the security of all, by impairing confidence strikes at the very essence of security, and infects with one blight the totality of Means; which land nationalizers are as anxious as is the most convinced individualist, should in all their other embodiments but that of "land" be maintained as the economic life-blood of civilization. It is particularly strange that Mr. George should have overlooked this consideration; for in the very curious and ingenious passage* in which, in the course of his ethical justification for the payment of interest he demonstrated the essential identity of all Wealth

* George, "Progress and Poverty," Book III., Chap. III.

arising from its quality of exchangeability, he impliedly furnished the demonstration that it is impossible to touch any one embodiment of Wealth and Means without simultaneously affecting every other form of property whatever. No more against the land nationalizers than against those who urge the absorption of all productive Capital by the State does the writer venture to invoke the idea of abstract justice. He is prepared to waive the argument that it is wrong in itself to deprive any man of that which he has, and that there is something essentially abhorrent and anti-social in all confiscation, thoroughly as he himself believes it. That is a thesis which the moralist may maintain; the economist, as such, knows nothing of right and wrong, and is limited entirely to the analysis of the profitable and unprofitable—the concrete actual results looked at from the point of view of utility. But so regarded, what is to be the actual effect of dispossessing the owners of land on those whom you do not intend to confiscate, the owners of other property?* How will your medicine react on confidence, which is the "value" of property in general, and what will be the ultimate effect of the George treatment of the one embodiment of Means which the inventor conceives of not as only standing by itself (for that is true), but also as susceptible of being suppressed without injury to the others; which is overwhelmingly false?

Consider how, and in what proportion, and in what form, and among whom, the aggregate of rights and claims which are thought of together under the general expression "property in land" are actually distributed. How and whence do you propose your taxation shall collect those rivulets and driblets of Means arising from land which you are going to drain into the great reservoir of the State? You will have to lay under contribution not the mere rack-renter himself. If he alone were concerned, it might with some sort of sentimental justification be contended that his extirpation should be acquiesced in by everybody else in the name of the supreme law of the public safety; though even that much instalment of your eternal justice, when it comes to be thought out, will be seen to involve a greater displacement of Means and property than you realize. For while you have been thinking of a handful of people whom you dislike—dukes and millionaires with half a county or a square mile of houses in London, or great financiers who have appropriated a mile of

* *Ante*, p. 350.

frontages in the streets of Paris or of New York, or of Mr. George's special abomination, the land-jobbers, who tried for the few years during which he happened to be writing to monopolize the surface of California in the expectation of reselling at a profit; * you have clean forgotten all the other sorts of people among whom those rights are spread in infinitely varying degree and amount.

Say nothing of the small owners of land, the little people who have acquired each his cottage or his bit of garden ground, his morsel of surface charged with the repayment of the capital borrowed to purchase it, the mortgagors to the building society, and the like. Brush aside if you choose as mere parasites on the main army of monopolists, all the annuitants life-tenants, and the other unconsidered directly beneficial participants in rents. All of these, it is true, will be involved equally with the people at whom it is just to point your finger of hatred, in the results of the State's "resumption" of the "land of the nation," but let that pass.

But how about the people, the companies, the institutions whose Means have been incorporated in the form of confidence in the permanence of this particular form of property? Have you formed to yourself any conception at all of the extent to which the entire fabric of society is involved in the inviolability of this confidence? Say nothing of the building societies and the like, which were directly devised to enable small people to acquire tiny morsels of space for themselves and every one of which must immediately explode with the first attempt to put your theories into practice, involving hundreds of thousands in their ruin. Leave these too on one side. What are chiefly threatened are still more vital interests: the whole machinery of commerce and finance. The banks, the insurance companies, the industrial associations, the trades unions, the provident and benevolent societies, and the other men and aggregates of men who, as part of the very Means and Capital with which they work, are dependent on claims, mortgages, annuities, and reversions, all of which have been carved out of the total beneficial interest in land. An ignorant person who understands nothing of the groundwork of finance might be tempted to answer, Oh, but this after all is only a very small part of the accumulated "resources of aggregate individualism. Take this away and the greater part will still remain and things will go on as before." Not so, my simple

* George, "Progress and Poverty," Book V., Chap. I., pp. 245—249.

friend; any man who knows what he is talking about, understands that the stability of every organization depends upon its balance-sheet, and that however imposing the nominal sum of its assets, the concern is irretrievably wrecked in insolvency from the moment when a sufficient part of the value of those assets has been abstracted or has disappeared to cause the counter liabilities materially to exceed them, and thus destroy the "going concern."

Land nationalization means above all things national bankruptcy, the annihilation of finance, the collapse of commerce, and the paralysis of industry. One steers resolutely clear of ethical considerations, but yet may be allowed for one moment, without relying on it as an economic argument, one short disquisition into ethics. Consider for a moment in the name of what supposed justice or principle of right this particular kind of property is singled out by Mr. George for exceptional severity of dealing. What urged him individually to the assault is obvious from his books; it was his personal reprobation of the practices of the speculators who at the moment that he wrote were contriving to monopolize the land of his own State, California, to the impoverishment of their fellow-citizens and the hindrance of the common prosperity. The trace of the influence of this Californian aspect of things is still similarly discernible here in Britain, when we are treated to the familiar drivel about "prairie value." But let that too pass. Apply the morality of the thing to our own land, and consider for a moment the proper British justification for this exceptional severity. It is all friend Proudhon over again. "*La propriété, c'est le vol.*" Proudhon and his school had at any rate logic to back them, and involved in the same condemnation therefore all forms of appropriation. A condemnation not without a certain historical justification. Hengist and Horsa and Cedric and Aella and their lusty pagan pirates in the sixth century, William the Bastard and Hugh the Wolf, Roger Bigod and the rest of the picturesque swashbucklers of the eleventh, Henry Tudor and his Russells and Dudleys in the fifteenth, their descendants the "barons," who shuffled out of their feudal obligations in the sixteenth; Cromwell and his far from merry crew of settlers in Ireland in the seventeenth, the shabby squires of the late eighteenth and early nineteenth who, "stole the common from off the goose" by the trickery and spoliation of corrupt inclosure Acts, and their still meaner late nineteenth-century children

whose dishonesty has only been able to compass the petty theft of strips from the public highways by the trick of putting up dishonest fences—all these as well as Henry George's own enemies the "landgrabbers" of California and the rest: all have thieved, each in his generation. What then? They are dead.

The question now is whether the taint of the original fraudulent appropriation attaches in justice not to the robber and his descendants, but to the innocent land itself, which he "ought" perhaps not to have acquired, but which has passed into the hands of those who have exchanged for it Means that they in their turn have got together—how obtained, it is impossible in any case to determine. Mr. Wells, in his interesting work which has been referred to at great length, and which advocates a gentle and (according to his presentation of it) innocuous collectivism of his own imagining, recognizes with respect to some sorts of property at least, something like a meritorious and moral justification of origin. "That which a man has earned and worked for," he says, "is his own," * a distinction which of course gives away the whole collectivist case in one sentence, the real truth of the matter being, as every lawyer knows, that the origin of every "right to property" is not merit, but simply the sanction of continued possession, in which alone consists a man's right to be protected in his appropriation of his goods, his cash, his clothes, and his artificial teeth, of all his property alike; as the text-books say, "any possession is good against a wrongdoer."

Possession is the root of property, as it is its only justification, and expropriation without compensation of one class of things rather than another, or of one set of people in a greater degree than another, has no "equity." The etymological antithesis of this word denotes its real attribute; which is iniquity. Whatever motive actuated Mr. George himself, his modern followers leave no room for doubt that they cherish it as a political and personal rather than an economic doctrine. Their polemic is inspired by antipathy to the political and social hegemony of one particular class, and impatience of the "aristocratic institutions" which have their historical origin in the ownership of land. In this controversy the writer is altogether neutral. Inequality of political power as between different classes and

* "New Worlds for Old," Chap. IV., § 7, p. 88.

different individuals is inherent in all civilizations;* and inasmuch as there is nothing intrinsically more beautiful or inspired in a majority than a minority, it seems to matter less what particular set of men exercise the ultimate determining power over the collective will of a nation, than whether that will is exercised honestly and unselfishly. In neither an aristocracy nor a democracy is there vested any "right divine to govern wrong," and there are many people not necessarily servile in habit of mind (the writer is one of them) who prefer that the conduct and carrying out of things should be controlled by people whom they believe to be if not necessarily the more competent, at any rate the more sensitive, because of their individual conspicuousness, to the influence of intelligent public criticism. The institutions of this country still remain to a remarkable extent what people call "conservative" in their actual working and administration; no doubt at the present moment too much so, on the whole. But a distrust of violent change is not altogether a disastrous mental attitude; and there is a lingering prejudice in favour of somewhat "aristocratic institutions," acting with particular power on the minds of the few who belong of right to the hierarchy, and perhaps with greater force still on those more numerous ones who like to pretend that they do, and imagine they prove they do, by imitating its manners and bearing. "Nos poma natamus, inquit equistercus." And this reactionary force derives an undesigned assistance from the inverted "snob," the person who conceives that he can acquire personal distinction by "fearless" repudiation of snobbery, and truculent antagonism to aristocracy. He alienates the moderate mind by his abusive hostility, and thus exercises his own unintentional influence in favour of conservatism.

All this leads the writer, who is neither "liberal" nor "conservative," democratic nor aristocratic, but a mere reformer of what he thinks wrong, to anticipate much hostile criticism of his tentative suggestion, that though "Land nationalization" as preached by its authorized exponents is a disastrous and suicidal idea, it is reasonable and also easy, steadily to abolish all unnecessary distinctions between different classes of Means; and that inasmuch as Land differs from all other subjects of property by possessing the attributes of perpetuity and indestructibility, there should be by rights a special taxation of its

* Fitzjames Stephen, "Liberty, Equality, Fraternity," Chap. V.

values ; a charge upon that peculiar advantage—a "time-limit," in fact, to borrow a hotly-debated phrase from another and more ephemeral controversy. As to the desirability of realizing the first of these two ideas, there surely can be no real doubt. Nor is there in honest truth any as to its practicability.

There can be no conceivable justification for perpetuating artificial distinctions between the rules applying to the devolution and inheritance of different classes of property, or for applying different rules of law or methods of taxation to land and what is called "personalty."* The ease and certainty with which the necessary amendment could be compassed causes much annoyance to the lawyers who levy a lucrative part of their income on the transaction of the business of the transfer of this particular kind of Means, a craft which could be made simple with provoking facility. But profits are at stake; and every proposal to effect a complete assimilation in our country of the laws and customs relating to "realty" and "personalty" meets with determined resistance from an excellent class of interested persons who are particularly powerful at times of election.

Nevertheless, the process of assimilation has already commenced here, and is sure to go on; and by intricate methods devoid of logical simplicity, the laws of real property are being gradually brought into practical harmony in this respect with those of the colonies, which have admittedly no use for a territorial aristocracy, and which do not confer any social or political supremacy in particular on the possessors of one sort of Means which they refuse to the owners of others.

Nor does any insoluble difficulty prevent the realization of the second of the two projects of reform above indicated, which is in effect the general nationalization of the *freehold;* in practice working out as the imposition of a time-limit. Whether the present possessors would prefer to await resignedly the distant termination of their interests, or set themselves, as they have already done with respect to the "death duties," which they pay

* In one British colony a measure was not long since passed with the general acquiescence of the community, designed to obliterate for all purposes of succession inheritance, and duty, the distinction between chattel and freehold interests in land. Both alike in case of death pass to the executors or administrator, who have the same power, with the permission of a judge (to be obtained by a very simple process) to sell land devised, as they have in the case of personalty specifically bequeathed ; and whose certificate of complete administration is the chief necessary root of title to the devisee. Something less complete of the same sort, though encumbered with a good deal of needless complexity, obtains in the mother country.

in common with the possessors of other sorts of property, to average and discount the incidence by organization of insurance out of the yearly gross income, concerns themselves entirely. For a time-limit of 100 years the actuarially current sinking-fund would be a matter of a penny in the pound; the difference in present value between a 200 years' term and the perpetual freehold is so fractional as to be almost imperceptible, and no sane human being would offer a silver threepenny bit for the privilege of exchanging a lease of 999 years of ever so great an "estate" into the perpetual freehold.

But all this is comparatively irrelevant. The enhancement of the resources of the State, though distant in time, will be none the less real and beneficial, especially in view of the impending ultimate fate that the future has some day to face; when the inevitable exhaustion of the coal-supply must compel a reconsideration of the economic process in general, and especially of the incidence of taxation. It remains only to make State interference as applied to land accurately equivalent to the similar charges on the devolution of personal property, *plus* the appropriate ransom for perpetuity above pointed out as logically just.

The extended taxation of inheritance generally is a larger and more complex subject. But land is always apterous, while other forms of Means shed their wings at one important moment which is in the act of devolution from one possessor to his successors; and advantage has already been freely taken by many civilized States of this temporary defencelessness to take toll from the executor or administrator when he applies for the recognition of his "rights" in the property of the predecessor and seeks from the appropriate tribunal to be put in possession. First comes the share of the State; and there appears no limit at that moment to its power to help itself to what it needs. As the Means cannot then fly away,* the objection of the momentary impossibility of seizing them does not then apply. But yet it would be suicidal to try to "confiscate" too great a proportion because (and here Mr. Fawcett's argument retains its force)† a too eager use of the opportunity would unduly hinder the accumulation of Means.

The days have passed away when it would have been necessary

* *Ante*, p. 157.

† "Manual of Political Economy," Book IV., Chap. II., p 543.

to refute the medieval notion that the permanent welfare of any State can be bound up with the perpetuation of a territorial aristocracy, an institution of great service, and which on the whole has probably been the occasion of less abuse of power in the United Kingdom than anywhere else in the world. But a man could not be found in the twentieth century, who would be prepared to echo the sentiment of the late Duke of Rutland in his youthful days—

> "Let laws and learning, arts and commerce die,
> But spare us still our old nobility."

But assuredly there is no justification for treating this most admirable and high-minded class of citizens with greater severity than another. Only impartiality claims that a perpetuity should not be ensured to their possessory rights, which the very nature of things denies to all other possessors of Means. The writer contents himself with a suggestion that as the needs of the State grow, as grow they must, beyond the reach of the strictly limited resources of other forms of taxation, reasonable recourse must be had to those two, the productivities of which are more elastic: the land of the country, and the succession to the inheritance of all descriptions of Means. He only ventures a hope that his suggestion of a finite term to all property in land may evoke impartial thought, and some degree of adherence in principle; the ruling idea being that the nation's admitted and traditional overlordship of its own land ought eventually to be asserted by putting a definite, even if remote, term to the period of its permitted alienation. The notion is as far as the poles asunder from that of the "progressive absorption of all land values in taxation" which is advocated by the people who support what they term "Land Nationalization." But it is so far "revolutionary" that it aims at abolishing the idea of "freehold land" altogether, and converting all existing tenures into "leasehold" property; the maximum term to be fixed at a reasonable number of years sufficient to provide for the security at least of existing owners and of their posterity to a certain specified remoteness of descent. The "fee simple" is a perpetuity; beyond the grasp of the individual, who cannot possibly appropriate it in his lifetime and has still less right to dominate it from his grave. What the State has hitherto

permitted by way of authorizing unlimited inheritance and testation is not a property, but a privilege to regulate the property of posterity for ever. And what the State has given away by way of privilege, it is open to the State, for good reason and with decent regard to good faith and reasonable expectations of benefit, at its discretion to revoke.*

* *Ante*, p. 152.

CHAPTER XX

SOCIALISM. PART III.—QUASI-SOCIALISM

By quasi-socialism is meant that vague inexact and comparatively unscientific trend of opinion which, while repudiating the basis of pure collectivism founded on the Marxian dogma, yet manifests itself in the advocacy of varied measures and proposals for the increased intervention of the State in the domain of economics. Mr. Wells would like people to take him, for instance, for a quasi-socialist, though he is in truth, despite all disclaimers, a thorough-going Marxian in flimsy disguise.

Quasi-socialism, while thoroughly opposed on the one hand to the justly discredited and obsolescent dogma of *laissez faire*, and the closely allied conceptions of the anarchist; on the other, boggles at the scientific confiscation of thorough-going collectivism. As soon as a man has grasped the idea that it is possible to improve and strengthen the institutions of civilization and further the general welfare of mankind, whether by legislative and compulsory regulation, by collective administrative action, or even by the concerted benevolent effort of altruistic individualism, he becomes a "socialist" of sorts, in the sense in which Sir William Harcourt declared that "we are all socialists now." As soon as he has satisfied himself that many things can thus be done, he is impelled to face the problem: "which first, and how best." For to him it seems that many *have to be* done, and that one has to select and give precedence among them to the more instant and the more practicable. The difference between the quasi-socialist and the thorough-going collectivist is that the first is experimental, tentative, and inductive; whereas the second is dogmatic and deductive, and his philosophy is founded on "universal principle." It is the eternal polarity of the inductive and deductive, the realist and the idealist, manifesting itself anew in a fresh domain.

Every system of civilization always has been and always must be more or less quasi-socialistic. The dream of the individualist, who conceived of the legitimate functions of government as mere

contrivances of combination for purposes of self-defence and the preservation of order in the streets, is as fantastic and chimerical in its way as is that of the ultra-collectivist, who pretends that he believes that every action of the individual is susceptible of beneficial regulation by State authority. Such states and such individuals never have been and never can be realized on the face of the earth.

Leaving general principles on one side, and concerning ourselves with the actual and practical, it will be seen that the quasi-socialistic aims of each nation divide themselves into two distinct categories of purpose. One is the assumption either by the general government of the State or by some local delegated authority of additional functions of service or production on behalf of the community generally; the other, the similar centralization of the special function and duty of benevolence, the raising of the status and improvement of the conditions of the less fortunate by employing in their assistance the means of the more wealthy, gathered in for the purpose by the State in the form of taxation. These two purposes, though not divergent, are distinct, and must be considered separately. Each of them is equally antagonistic to the competitive individualism which expresses itself in the conception of the progressive spontaneous evolution of society by means of the "struggle for life" and the "survival of the fittest." * But while the one seeks its object along the lines of State industrialism, the other purposes to work by way of "State altruism"—if such an expression is admissible; the more correct way of putting it being "the collective assumption of the functions of benevolence." With regard to either, the question is essentially one of convenience and expediency: a truth which even Mr. Wells tacitly admits when he contrasts, for example, the efficiency which he anticipates from a State railway, with the annoyances and discomforts which he is in the habit of experiencing as a passenger by the rather shabby "South Eastern" railway.† There are services, it must be admitted on all hands, which *must* be performed by public bodies, which cannot be left to private adventure; such as

* *Ante*, pp. 212 *et seq.*

† "New Worlds for Old," Chap. IV., §§ 4, 5, pp. 74, 75.

The experience of the present writer, by the way, gathered from many State railways in many parts of the world, has led him to a diametrically opposite conclusion in this respect, the service on the Italian railways in particular having sensibly deteriorated from the condition, execrable as it was, which obtained five years ago, when things were mismanaged by private companies.

the care of streets and highways, of their sewerage and alignment, of the supply to towns of gas and water for the public service. These and many others are in their nature monopolies of the locality, and cannot be left to the mercy of individual monopolists without a degree of restriction and regulation such as must practically reduce their management and direction to a State service. Just outside this category stand a variety of organizations of service and supply, which are debateable territory; for the control of which collectivists and individualists are at present in this country carrying on their warfare. The transit of passengers and goods, whether within the country as a whole or within the more circumscribed areas of particular districts; the supply of lighting and heating power to private persons and the like; even, it may be, the building of houses and the supply of certain kinds of food or of fuel, which are monopolies at present for the most part in individualist hands, but which in their exercise call for stringent control on the part of authority; so that it seems to many better that this control should be exercised by the State or municipality as by master over a servant, than by the constant friction of legalized inspection and legal compulsory machinery.* As to each of these, the question in every case is the respective efficiency of private and corporate administration; a question not to be settled by any deductions from principle at all, but entirely by experiment and observation of the workings of practical convenience—matters on which the present writer is incompetent to indicate any opinion whatever, depending as they do on the working out of innumerable details and a great complexity of technical data, complicated by a host of financial considerations varying with each locality and with each department of service.

Mr. William Jennings Bryan, in a lucid speech on the subject, not long since laid down a criterion of principle which at first sight commends itself to acceptance as indisputable, except by the ultra-collectivist. He put it that a sane "socialist" would abstain from intermeddling with any enterprise, economic success in which depends on aptness for competition; while "giving to Cæsar those things which are Cæsar's;" reserving, that is to say for administration by the State or the municipality all those services for the efficiency of which competitive action is unnecessary or out of place. But this criterion, an apparently simple

* "New Worlds for Old," Chap. VIII., § 1, p. 173.

and self-evident one, is exceedingly difficult and complex in application; and except that it seems to rule out from the legitimate field of corporate adventure the enterprises of industrial production and external commerce, the very life-breath of which is international competition, helps one but little as a practical solution of the difficulty. For an adventure which at first sight strikes one as "competitive," and to the prosecution of which a certain degree of competition has been incidental, will on examination, often prove essentially monopolistic, the competitions being those of the distributors or of the consumers only; and in such cases the service of prosecuting it is one for which collective authority may, in spite of the inherent disadvantages of officialdom, furnish the more serviceable direction. Now the moment such an adventure, if supplying service (such, for example, as the supply of housing space, or of milk, or other necessities of life to the bulk of the citizens), begins to become extortionate in its demands, or inefficient, or abnormally unconscientious in private hands, there arises a demand for its expropriation, even at the cost perhaps of some loss of efficiency and a sensible diminution of profitableness; and, given the capacity of the State or municipality to undertake it, there might be a reasonable and desirable expropriation of monopoly. Monopoly, in this sense, is used as an expression not necessarily denoting the concentration of supplying the need or rendering the service in one man or organization, but in the general sense of the necessity of the many as opposed to any opportunity of the few, which they are tempted to abuse. And in this form "monopoly" is apt to derive from time to time its sinister predominance in the domain of the industrial production of wealth no less than in that of the rendering of other necessary services not in themselves strictly and materially productive. Mr. Bryan's rule in such cases fails in its application, and the expediency of expropriating the monopolist and substituting collective action must in each case necessarily be judged by the light of its own special circumstances, and without reference at all to general principles, which are broken reeds which always pierce the sides of those who lean upon them.

Thus it is possible that despite the infirmities of official management, convenience might induce a sane government quite uninfluenced by the pedantry of collectivism, to assume the direction of some particular enterprise of the supply of food, for example, which may be deemed in danger of being utilized as

an instrument of extortion in the hands of some coterie of over-greedy adventurers, confederated to exploit the public necessity and extract excessive profit. And theory apart, there is no occasion in that regard to draw any line whatever between such industries as are directly productive of material wealth and such as occupy themselves in making wealth and means alike more available to promote the contentment of mankind and the satisfaction of their desires. Just as the transport of goods is in reality a necessary process in their production at the place where they are required, so also in a somewhat more remote degree, those services which minister to the comforts and convenience and even the amusements and pleasures of the whole of a society, conduce, each in its way, equally to the satisfaction of the common need, with the direct production of commodities of the most obvious necessity; and within its own borders, it may at any place happen that the community has to assume the management and direction of any one of these. Of course the crucial instance is that of the land, the use and appropriation of which have at all times been subjected to varying degrees of control. This subject has already been dealt with fully, and there is no need for further instances of it. But equally with the possession and utilization of land, every kind and degree of occupation or undertaking, the acquisition of which on behalf of the community might otherwise appear desirable in the general interests, is involved with the consideration of "individual property."

To the thorough-going collectivist this occasions no misgivings or difficulties. All property is to be confiscated, and Henry George, ultra-collectivist as regards land, absolutely individualistic as regards all other sorts of property, had in some respects a better insight into the nature of things, and a saner appreciation of possibilities than those advocates of a comprehensive collectivism, who aim at the "nationalization" of all "Capital" and means of production whatever. He at least understood that while you cannot destroy space by "confiscating" it, and while the land with all its possibilities may at need be made to revert to the community at whatever intervals the State thinks fit to "confiscate" the property of its possessor, the State appropriation of other Means is practically impossible.* But the dogmatic collectivists can never be made to understand

* *Ante*, pp. 241, 349.

that the effect of an attempt at a general confiscation of *means* can only result in their annihilation.

On the other hand, they in their turn have the advantage of logicality, more so than the more advanced quasi-socialists who, like Mr. Wells, are for nationalizing things "gently" and "a bit at a time," and "not entirely"; for they perceive that it is the institution of property itself which stands in the way of the acquisition by the State of all the adventures of productive enterprise and service. But the truth is that the desire for property is a manifestation of an ineradicable instinct which mankind will not submit to have suppressed.

And it is here that arises the essential dispute between the true and the quasi-socialist;—compensation or confiscation? The latter word, one which the present writer employs by no means as a term of obloquy or deprecation, but in its correct etymological meaning of putting all things together into the "fiscus," and thus terminating individual appropriation without compensation. For this, be the process a good or an evil one, "just" or "unjust," is the only possible meaning of collectivism in the true sense. Compensation is possible so far as there exist Means wherewith to compensate, no further. But Means, being simply the promise and expectation of future earnings, are essentially a function of confidence, and disappear with its annihilation; and herein lies the secret of the very circumscribed limitation of the power of the State to acquire, whether on the collectivist basis of confiscation, or on the contrary quasi-socialist one of compensation, which implies a full equivalent. For if "justice" compels the State to pay for what it takes away, it is equally clear that the payment must be at a fair market price, or otherwise the process is one of mingled compensation and confiscation, which, as Euclid was wont to say, is "absurd."

But the means wherewith the State can pay, are strictly limited. If such or such a railway or service of electric-lighting, particular coal mine, or group of coal mines, given piece of land, or system of slaughter-houses or of dairies, or any other concrete embodiment of Means has to be acquired for the public convenience, it must either be taken by force or acquired by purchase, and the consideration for purchase must assume the form of the issue to some person and in some form of promises of periodical payment in the future; and these in their

turn have to be fulfilled out of what will in the future have to be taken by force, which is to say, levied by taxation. And the promises when they have been issued will be simply worth the value which the general confidence of the markets of the world thinks fit to assign to them—that and nothing more; greatest in the case of the State which has the reputation of most rigidly fulfilling its obligations, least when they are the promises of a government which has already begun to proceed on principles of confiscation; and varying between the two extremes according to the course of general prices of "securities," but always decreasing in value for the securities of each State exactly as it is impelled onwards towards a policy of confiscation.

Whether this confiscation takes the form of a systematic compulsory expropriation at an undervalue, or of the forcible appropriation of an excessive share of the means of the citizens by over-taxation, is, from a "market" point of view, quite immaterial. The limit of the power of a State to expropriate private adventure concerns of any sort on the basis of paying out their owners at market value must therefore always be the margin of available taxation that those who form the average opinion of the world's market believe will in the course of time be left over from what can be raised by taxation, to provide for the redemption of these promises after the requirements of the administration of that State have been satisfied; which limits its "borrowing power." And all taxation has, as already pointed out, its own inexorable limits of productiveness, whether levied directly or indirectly. So long as the individualistic basis of property is recognized to the extent of entitling its possessors to fair compensation on expropriation, so long will there continue somebody and something to tax; but with each fresh assumption of collective enterprise by the State, so much the less must remain in private hands, and by so much, therefore, must the rate of taxation necessary to provide the funds for fulfilment of promises be proportionally aggravated. It is conceded that something, on the other hand, will arise from the proceeds of the appropriated industries themselves. Surely, men will say, if such a municipality buy such an electric installation at a price of so many thousands of pounds, so much will be made out of the profits of the future adventure, as will suffice to pay the interest on the loan which has to be raised to compensate the shareholders and the other people who have

property-rights in the undertaking. This, they say, is "productive" or "remunerative" expenditure, and may be encouraged. The same with the slaughter-houses and the dairies and the rest of the things. Within certain limits all this is true enough, but it does not in reality count for nearly so much as people think. Three truths must be borne in mind: the first is that every subject of property, except space itself, which is land, is always undergoing a constant process of deterioration; the second is, that the utility and profitableness of even the most permanent of human adventures is a comparatively ephemeral and perishable affair. All industrial contrivances and businesses in due course come to an end, lose their profitableness, and have, as the Americans call it, sooner or later to be "scrapped." And the third is the most significant of all, and that is that an adventure apparently "remunerative" does not, therefore, become to anything like the same extent necessarily "productive." And this is a very serious consideration indeed, and the one which should induce the severest limitation of the sanctioning of ambitious projects of municipalization.

For these will be seen for the most part to be just schemes for diverting means and profit from one municipality to another, or from private to municipal organizations. They may apparently succeed in their aim, and then will appear on balance sheets as "assets" in respect of the "income" they are bringing in, and be pointed to with pride as instances of commercially successful collective adventure. But all the while the general wealth-producing power of the community is not enhanced by them, and the process of means-accumulation, though transferred from private hands to the State or municipal treasury, secretes on the whole no more means than before. And, ultimately, it is the wealth-producing and means-secreting functions of the community as a whole which have to be relied upon to furnish that taxation, on which the community as a whole has to rely.

Antwerp borrows many million pounds to provide a magnificent apparatus of docks and quays. Much traffic is attracted, much employment to Belgian energy, much money earned which would otherwise have been spent in Rotterdam or Havre. The port becomes one of the greatest of Europe, the pride of the city and of the State. Then it occurs to the good people of Bruges, that they too enjoy a splendid opportunity of remunerative and productive adventure, and they set to work to build a ship canal to

the tideway at a convenient spot. The means of the municipality and dock organization at Bruges are immensely enhanced by this remunerative expenditure, and on the day on which this happens to be written the following paragraph appears.* He would be a bold man who would venture to predict a life of one hundred years of productivity for any given existing or imaginable organism of industry or service. Suppose, for example, that somewhere in the early forties of last century the then corporation of Birmingham had found it necessary to protect their citizens by buying up at a fair market price the entire business of the stage coach proprietors who ran on the London road. The step might well have been thought necessary, in view of the general importance of rapid and cheap communication. Where would have been the earning power of the municipal venture in twenty-five years' time from its purchase? This is no extreme instance, unlikely to recur. Every human invention in turn is superseded in due course by something quite different, and were the State, at immense expenditure, to buy up the railways of to-day, there is no security whatever that in fifty years' time these appliances of locomotion would not become just as obsolete and unprofitable as was in 1855 the stage-coach service of 1825. The State and the municipality look forward to a far longer term of corporate existence than any existing industrial or commercial organization of the moment, and their obligations must partake of their hoped for longevity; while the means, profits and returns, which they may hope to derive from the acquisition of private venture concerns are quite essentially fugitive and ephemeral, liable to yearly depreciation, and certain to be annihilated in the course of time by the substitution for each of some alternative preferable contrivance, which human invention may bring forth at any moment, for it is always on the look out to discover it. And here comes in the danger of the modern tendency to the over creation of "evidences of indebtedness" that has been already insisted upon — the over-enchainment of posterity.† Neither State nor

* "Since the beginning of 1908 the port of Antwerp has been through a remarkable and disquieting crisis. The number of vessels which have entered the great Belgian harbour has fallen heavily, and is still declining every month. Wonder is expressed as to what cause these circumstances are due. Probably, according to an expert, to the creation of the harbour of Zeebrugge, near Bruges, to the increasing facilities granted to ships in English ports, and to the dangers of navigation in some parts of the Scheldt."—*Daily Telegraph*, August 3rd, 1908.

† *Ante*, p. 30.

municipal indebtedness can safely be extended to absorb the confidence of the owners of means with the copiousness which is at present practised, which is to the full extent of what lenders are prepared to advance. There is hardly a Government in Europe, but is at the present moment planning its future programme of finance with the avowed purpose of borrowing every farthing it can persuade capitalists to lend to it, to be expended in the main on entirely destructive engines of war. And the governments of the States and of the municipalities which are equally intent on borrowing for local purposes, vie with those who wish to "promote" new private companies throughout the world in inviting the possessors of individualistic means to "invest" them in assisting their collective enterprises, some of which may, while others certainly will not, prove truly "productive." Existing companies, though disposed to work on the same lines, have ever before them the possibilities of failure, and the contingency of "liquidation." Their managers know that each concern has its allotted span of life and productiveness, and the more conscientious among them prepare for the inevitable decline of the "diminishing return" by accumulating adequate reserves. But every modern State, and almost every modern municipality, in place of a reserve of assets, cherishes an accumulation of indebtedness; its only reserve, the hope of the industry of its citizens of the future. Mr. Bernard Shaw calls this "the creation of wealth." The present writer prefers to denominate it the reckless preparation of insolvency.

It is not proposed to enter in detail into the analysis of the various modes in which it is proposed that, on a compensatory basis, the State or the municipality should assume further enterprises of production or service. No doubt some of these may be found to have such comparative permanency of profitable yield as in the result to justify their acquisition; though, as a matter of fact, few instances are capable of being cited in which this fortune has hitherto been realized. The individual working man who has the command of capital, and on whom all our modern production depends, is, as the late Mr. Bagehot pointed out, the man who "settles what undertakings shall be embarked in, and what not; which things shall be made, and which left unmade." His is the will by which the machinery of production and commerce is actuated, as things are; and the reader is referred to Mr. Bagehot's essay on the

cost of production* as indicating with an accurate lucidity which the present writer would emulate in vain, the real human aptitudes which make profitable industry possible. For these qualities no substitute can be found even in the "board of directors" of a private company, which will succeed only in so far as it acts in obedience to a master mind, whether that of a manager or chairman of directors is immaterial. But such a master mind must necessarily be absent from any conceivable State or municipal department, dealing with anything beyond such services as are ensured of their custom by enjoying a permanent monopoly of enterprise.

Passing from the subject of the proposed partial assumption by the State of industrial functions which has been glanced at in the last chapter, there remain to be appreciated two opposed sets of conceptions concerning the quite distinct domain of benevolence. The one, those of the people who in this respect also may be termed quasi-socialist, in which category may be placed all who wish to address themselves to the object of collective benevolence, without claiming to that end the prerogative of the absorption of all Means into a collective fiscus. They believe that short of complete collectivism it is practicable and right for the State or the municipality to arrogate to itself the supply and control of the reservoirs and channels through which Means flow for the alleviation of poverty and distress, to increase and render more efficient the State subvention and amplify the purposes to which it may be applied. The other set of people are those who may be described as pseudo-socialists: those who, outwardly professing the same purpose and motive of collective benevolence, are in reality actuated by acquisitiveness and envy, and seek personal advantage for themselves under the cloak of a simulated altruism.

These will be dealt with in Chapter XXI. The remainder of this chapter is devoted to a short analysis of the quasi-socialism of benevolence.

What most concerns this branch of thought is the practical effectiveness of the State administration in the task of improving the lives and condition of the subjects, and (a matter of still greater moment) the probable result of State action of this sort on the force and character of the people. It has above been pointed out† that the institutions of this country already nominally provide that in the last resort no human

* "Economic Studies," p. 238. † P. 333.

being shall be allowed to die of starvation. It is recognized as the duty of each local authority to see to it that some sort of food, shelter, and raiment shall be afforded to the most miserable, at any rate to the extent necessary to keep them alive to suffer. And though it would be difficult to prove that in consequence of this state of the law the condition of the poorest and most helpless is actually better here than in those countries where no such State-liability is recognized; no person is prepared to go the length of abolishing this law and leaving the care for such things entirely to the chances of private benevolence. But inasmuch as the means to fulfil this duty have to be derived from taxation, and are actually raised in the main from local taxation, which is incident on the whole body of those who are not themselves paupers, this becomes a charge levied as part of the rent men have to pay for the right to exist in Britain; and it follows that an extreme economy has to be practised, for fear of increasing the number of paupers, and decreasing the tale of those on whom the burthen of supporting pauperism is cast. Thus for example, in the case of the poor family mentioned above (p. 367), the "parish" allows outdoor relief to the extent of 3*s*. 6*d*. a week to the mother, out of which she pays 6*s*. 6*d*. a week for rent, something like 1*s*. 6*d*. of which goes back again to the parish in the form of rates levied on the landlord. And this is quite an ordinary and common example of how it comes about that in many cities of Britain local taxation is normally stretched to the very breaking-point; that, namely, at which any increase of its rate must necessarily occasion a diminution of its yield. Nor are things sensibly the better in rural districts, where deadly overcrowding in hovels absolutely unfit for decent habitation is responsible for a death-rate not very much less among the poorest class than that which marks the slums in which is herded the corresponding class in the towns—the exigencies of the poor-law imposing, in fact, a greater penalty on any attempt to provide improved dwellings in the country than in the town. So it has come about that the means of the majority of local authorities capable of being raised for the relief of the poor are everywhere already insufficient for the adequate fulfilment of the duty. Already Britain has had to resort to the device of supplementing those means from the national revenue. And this in its turn necessitates additional and increasing State control over local expenditure.

For the Bumbles among the local bodies unfortunately manifest tendencies towards a certain injudicious wastefulness, the reputation of a high-minded generosity of expenditure being found increasingly to subserve the private interests of those who locally elect the local administrative body, as the funds to be expended are increasingly derived from State-taxation as opposed to rate-contributed sources. Even the more sordid kinds of corruption are not altogether unacceptable to electors who indulge a hope that in some way a share in their profits will come to be divided among themselves.

At the moment of writing (August, 1908) two principal contrivances of State subvention are actually in the melting-pot—the education of youth, and the sustenance of the aged poor. The final stage into which the former will be cast depends more or less on a successful adjustment of theological dissensions, in a country in which the adherents of each sect are most deeply concerned in preventing the predominance of any other. While the majority of men are agreed that instruction is incomplete without the inculcation of a religious sanction to good conduct, they differ among themselves as to the doctrines from which alone that sanction can be sought.

With regard to the provision of sustenance for the necessitous aged, the conflict is entirely one of method; the principle is universally conceded. The local authority already assumes the duty of keeping people alive, and in some form or another those past earning have to be maintained by the community. The problem is, by whom this duty should be performed, and subject to what conditions, so as to combine the maximum efficiency of distribution with the minimum deterioration in the industry and characters of the class whom it is agreed on all hands it is necessary to assist. The settlement of both questions rests with a doubtful popular vote, the majority of the voters belonging to the class most deeply interested; that, whose members are apt to look upon themselves rather in the light of possible future recipients than as the people from whose wages and earnings during their working lives will be indirectly extracted the means needed to supply the relief; while as a matter of fact they are both at once. As things are, it is inevitable that this matter should thus be settled by the class so circumstanced as to have the greatest difficulty in determining the decision impartially, and with a view rather to strengthen the character and

preserve the independence and virility of their class, than to the greater satisfaction of their personal hopes of gain; for the real motive power of British legislation is the anxiety of the individual legislator to secure re-election by obsequiousness to the momentary whim of the majority.

The whole of this legislation is essentially anti-evolutionary; an intentional and purposed elimination of the "struggle for life" from among the factors of the future life-history of the race, the direct negation of "*Laissez faire*," and so much hindrance to the "emergence of the fittest." But this is no valid argument for the abandonment of the endeavour in a real human world, however inconsistent it might have been thought with the interests of the imaginary beings who peopled the world conceived by Ricardo for the purposes of his abstract science. All the same the danger of deterioration of character and what is called "pauperization" is not in the real world an imaginary one, and it behoves the poorer classes especially to strive to guard themselves and their descendants against any extension of the tendency to demoralize which observers already detect at work in the case of those who are encouraged to seek a livelihood from the sources of private charity rather than to depend for their existence on the results of their own exertions. And this is a tendency which must acquire much greater force when people assimilate the notion that the State exists for the purpose of supporting them. A "cadging" proletariat, whether it is benevolence or taxation that it cadges from, produces the worst possible human material out of which to build an effective nation. And the ineffective nation goes under in the conflict of the nations, the chief sufferers from its submergence being the people who labour and toil.

Economically, the means needed for providing the necessities of the aged must ultimately derive from one and the same source—the produce of industry; and whether they are levied on rent, or wages, or interest, the three streams into which the flow of wealth is essentially divided, does not affect this ultimate result. Nor can one determine, *à priori*, to what extent and in what manner any burthen ostensibly placed on one of the three may shift itself so as to be ultimately borne by another of them. The chain of antecedents and consequences, the working and effect of the subtle readjustments, are too involved and delicate to trace out, even in the case of causes at work, the effects of

which are already in part discernible: they utterly defy analysis in the case of the unknown future results of causes not yet in operation. All that we know for certain is, that the anticipations of the moment will assuredly be falsified, but in what direction and to what extent it is given to no human being to predict. It does seem, however, reasonably evident that were it possible, the best of all solutions of the problem of the superannuation of the less opulent of the workers would be along the line which has been spontaneously adopted by the workers themselves—the effort of the "trades-union" to combine concerted efforts for the increase of the daily wage with a provision of funds out of which people past work can be maintained by the wise husbanding of the results of their own past exertions.

This system suffers under its own imperfections, it is true. It can never be made co-extensive with the whole class of workers or the total needs of the working community. It has to obtain subvention. The underpaid industries, from whose ranks arises so great a proportion of aged indigence, do not, as things are, secrete a sufficiency of Means to provide for their own superannuation. In the better paid trades, too, the task must be undertaken trade by trade; indeed, by each subdivision of a common employment for itself; because the two objects are inseparable, and each subdivision has to deal with its own problem of adjusting the market rate of its labour, and being thus compelled to negotiate separately for itself, is also under the necessity of effecting for itself its own distribution of wages, between what may be spent by the individual worker and what he must be called upon to contribute to the common provident fund; and a third, perhaps greater, difficulty presents itself in the imperfect manner in which many of the societies discriminate between that part of their funds which should be held sacred for provident purposes, and that which ought to be kept available to enable the workers when necessary to "proclaim a strike," and thereby strive to obtain a higher rate of wage. For this, too, however wastefully the system works, has to be accepted as an obviously legitimate and even economically necessary function of each trade-union. The two latter drawbacks are capable of being minimized by better organization; the first alone appears to some extent inevitable, and it is here that comes in the real necessary function of the State or the municipality, the activity of which should assuredly be limited to the function of providing

in some way for those who cannot help themselves. There is no need to dilate on the customary truisms concerning the dignity of independence and the duty of "thrift." Let all these things be "taken as read"; stale platitudes as they are, they involve the essential truth that the future of a nation is the aggregate of the future characters of its citizens, and that no national action is salutary which does not tend to the encouragement of the better and repression of the worse impulses of the individual citizen.

Therefore it seems that no system for the superannuation of the individual worker can safely be countenanced which does not adequately differentiate against laziness, improvidence and vice. Somehow or other all the people have to be kept alive, it is true, and more or less that duty is performed as it is; but it would be fatal to the efficiency of any nation to put the victims of diseases of the character on an equality of treatment with the honourable veterans of industry, for whom the gaol the workhouse and the lunatic asylum are not fitting abiding-places when their working days are over. This is the problem of superannuation.

Side by side with it are those of disease, incapacity, and industrial unemployment, all three of which are still more complex, but all essentially incapable of being efficiently dealt with by State provisions for the application of compulsory benevolence derived from taxation and administered by official authority. For it is among the claimants on these grounds that arises the chief opportunity for mendicancy and imposture. And here too are found the more familiar instances of predacity; the simulation of distress, the waste of superabundant and over-paid administrative staffs, the semi-professional abuse of the opportunities afforded by inefficiency of method which arise from the haphazard and unscientific distribution of the organizations—far too many funds dealing with one object, and competing with each other; none at all serving some other purpose, equally urgent and meritorious. The redirection not only of funds, but of the energies of administration, is what is most needed. But this must necessarily be done by the devotion of individual skill and work, not as by hirelings for a wage, but by people individually intent on making the conditions of life better. Those who have not assisted in the duty of administering funds can form no idea of the extent to which they are liable to be misapplied by the exercise of the arts of imposture, above

adverted to (*ante*, p. 329). The "inquisitorial" method that need be resorted to but slightly when the claim is based on age, becomes an obvious necessity in all these other cases alike. The jobbing gardener who threw up his well paid work for a day or two, because he was still better paid for carrying a banner in a procession of the "unemployed," afforded no exceptional instance. The art of the malingerer is practised even in the consultation-rooms of the hospitals, and the sturdy vagrant invariably masquerades as the "working-man seeking employment," as he wanders about the roads seeking for convenient places where burglary may be committed. Against these, the only defence is searching discrimination; and this can be applied by no other agency than the constant individual watchfulness of those who undertake the duty of distribution. It is beyond the capacity of any conceivable official routine. No official regulations can reach the need. Each case has to be investigated on its own merits, not without regard for general principles, it is true (and indeed there is great necessity in this regard for increasingly scientific ascertainment and application of principle), but what the work most requires is the faculty of decision on the facts of each case, responsible, but irreversible, exercised by people bound by the provisions of no official method or departmental regulation—in short, by individualists actuated by altruistic impulse. This work is done, as things are, as best they can, by committees of provident and friendly institutions, by individual members on the boards of charities—men who devote their energies to the work of investigation, and by such like people working for the common good, but each actuated by a sense of the personal obligation of beneficence. Indeed the limitation of the efficiency of official action in the sphere of benevolence is essentially the same as in that of industry; the machine is on the whole clumsy and unfit for the purpose to which the quasi-socialist proposes to apply it; in some cases it would work, in others it must fail.

The necessity of the moment is to arrive at an accurate discrimination between these cases, and while applying State action to the one, to forbid its interference with the other. The question of adequacy of funds comes in here also; and in two ways. In the first place, it must happen that the aggregate of the expenditure needed to cope with the successive instalment of State distribution of assistance will reach huge figures; it

mounts in such a country as ours, into millions with each proposal to loose the purse-strings in response to a fresh appeal; the appetites of the recipients increasing with each subvention. Stimulated by the quasi-socialism of those whose sympathies keep going out to fresh claimants, the expense keeps on steadily mounting up so as to absorb more and more of the yield of taxation; and this, on any basis which repudiates the entire absorption of means by the State, is essentially limited in its productiveness. The quasi-socialist, who repudiates confiscation, must therefore, soon find himself at the limit of his power of increasing State benevolence. As the demand increases, the supply becomes more and more scanty. But another danger is the more formidable. For there looms in sight the portentous probability of the drying up of the stream of private benevolence, as the channels of the public assistance funds are deepened and widened to divert increasingly the means of individuals into the river of State contribution. The thing is obvious. What flows along the former channels is after all but a certain proportion of the volume of Means arising from the progressive production of wealth within the community from year to year; of Means over and above those which are devoted to the production of commodities and the satisfaction of the personal requirements of their possessors; the surplus, after satisfying the double need of subsistence and acquisitiveness. One may put it more broadly still. On the basis of individualism, "a bait" (as Mr. Bagehot put it) has to be held out to the possessor of Means, to bribe him to turn them into "Capital," to induce him by the anticipation of some advantage, of better comforts, increased enjoyment, of legitimate opportunities of secure accumulation, above all of the seductive consciousness of power, and by the hope of being able to provide for his family, to continue producing things, or doing services outside of his immediate need, so that he may be encouraged to continue to work to secure the reward.

To the pure collectivist this presents no difficulties; by his scheme all Means are to be absorbed by the collective nation, and the individual motive is eliminated. But the quasi-socialist, the man who proposes to preserve the institution of private property, and to resort to it increasingly, in order to obtain what he deems necessary to satisfy the exigencies of State benevolence, is brought up with a sharp jerk sooner or later by the consciousness

that as individual Means are more and more rought into contribution for taxation, the surplus available for satisfying the altruistic instinct must grow less and less. And not only this, but most assuredly, the more the State consents to undertake the duty, the less the claim which the average man will be disposed to acknowledge, to assist out of his means the varied necessities of indigence. "I pay for you fellows in my poor-rate, and I refer you to the union authorities."

Hence there needs a word of caution from an honest quasi-socialist to the more eager of his fellows: "Beware lest in your endeavour to increase the efficiency of State action, you impair the resources with which altruism is eager to stand in with the doers of benevolence, for that stands for a greater force than you realize, and it will be dangerous to tamper with it. Therefore, brother quasi-socialist, be cautious. All good fortune attend your efforts. The more fully you succeed in directing the organized force of Society to the improvement of the lot of the less fortunate, the more you are able by sound law and wise contrivance to equalize the chances of happiness and counteract the evil working of over-acquisitiveness; the better and more permanent will be your results on civilization.

"But beware of over-ambition. If your aims reach beyond the practical, if an Utopian enthusiasm prompts you to grasp at a visionary perfection and disregard the limitations which are imposed by the finiteness of the means on which you will be able to draw, danger must arise, confidence vanish, values disappear, and with them the whole fabric of civilization in the only form of which humanity has any knowledge. You will be launched on an unknown sea, and gradually drawn into the vortex of the collectivist. For at this point begins the expropriation by the State of all Means whatever, bit by bit, purpose by purpose, till the individual is obliterated and the nation is merged in the State.

"And then you will wake from your dream, and find that while you have imagined yourselves to be approximating to the standpoint of the benevolent collectivist, you have been all the while unconscious instruments in the hands of the sinister 'pseudo-socialist,' the lion in the ass's skin, the anarchist in disguise."

CHAPTER XXI

PSEUDO-SOCIALISM

By pseudo-socialists it is proposed to designate those who seek to destroy the edifice of civilization that they may have the opportunity of looting among the ruins. There is little to be said of these—they are persons whose significance arises only from their comparative numerical preponderance over the pure collectivists and the quasi-socialists put together. For every one theorist who cherishes the doctrine of genuine collectivism there shall be found ten earnest benevolent quasi-socialists—men who in different degrees and by different methods aspire to direct State action towards the function of improving the lot of the less fortunate, but who recoil from the heroic remedy of confiscation advocated by Marx.

All these are a small band in comparison with the hundred on whose support they act—the envious who desire to dispossess so as to be able to acquire, and the thousand dupes of these, the men with whom is the voting power, and on whose force the hundred rely for the realization of their hopes; for it is from this thousand that the army is to be recruited which the hundred propose to officer, brushing aside the one and the ten; and to direct to their purpose of overcoming individualism by force. To the hundred no argument or confutation can be addressed. Even against them assuredly no vituperation is intended. It is natural, and in a way reasonable, that those who have drawn the harder lot should cherish no particular affection for the fortunate few who seem exempt from the primeval curse, and who live in what appears to them to be shameful luxury and happiness, the while their brethren toil and suffer and perish. There is justification for all religion, even one of hatred. There does, as things are, seem a perverse inequality of undeserved fate about an arrangement of civilization by which out of each hundred human souls entering the world on a given day perhaps two or three are selected by chance to be born to "luxury and comfort," and six or seven are endowed with the power or surrounded

with the circumstances which enable them almost as of course to acquire a sufficiency of the means by which the good things of life may be brought within their reach; while of the others; seventy are destined to a life of physical toil, not by any means devoid of happiness, but hard, grim, and towards the finish grey and unhopeful; and the hindermost, *extremos quos occupat scabies*, have to be more or less "submerged"; the most miserable ten, it may be, being condemned, for no particular fault of their own, to varying degrees of apparently hopeless and irremediable suffering; for these in truth are somewhere near the ascertained proportions in which Fate deals out the possibilities of contentment to mankind as things are.

Wherefore it is, that neither the economist nor the moralist is entitled to condemn the revolt of the souls of such as cherish hopes and intentions of remedying by force or fraud the inequalities of fortune. Nor are the more fortunate on their side to be blamed for resisting them by all the machinery at their command. The lawyer steps in, and by order and permission of the State, which for the moment these control, forbids and restrains and punishes. The priest, whose cultus is maintained by them, preaches patience, reproves the sinfulness of rebellion, inculcates the catechism of "contentment with that station of life in which it has pleased Providence to place us," and recites the "tenth commandment" as disposing once for all of the question. But the pseudo-socialists are at heart rebellious; one part sullenly standing by waiting their opportunity for revolt, while another division revolts at once, setting itself to work to effect its own plan of redistribution, by means of what possessors call theft and robbery and fraud. These latter are what we are in the habit of calling "criminals," open enemies of the civilization which oppresses them, victims for all that, the fair minded man must remember, of the pitiable circumstances of their environment, and as they themselves believe, of a criminal law made in the interests of those who have, and enforced against those who have not but would have.

Now the voting thousands, at the bidding of the planning hundreds, are more or less ready to set their strength to support any specious plan which promises to redress the inequalities of Fate by voting about them. They are indifferent to the doctrine, but ready to stand by to enforce its application, in the hope of enjoying its results. With profound pity for the less fortunate

ones, one is yet constrained to appeal to those who are tempted by sympathy to lend themselves to the aims of the predatory who trade with occasional success on their sympathies. These are plain men working hardly and honestly for their livelihood, by no means consciously envious for themselves, but filled with a generous indignation when they come to contrast the hard fate of the more miserable among their own near brethren with the luxury and selfishness that they are told characterize the small opulent class more remote from them in circumstance, whom they hear described as "monopolizing wealth and all the means of production."

It is not only a sad and suffering proletariat in South and East London, but also a sturdy healthy and independent community of artizans of the North, prosperous workers actuated far less by greed than by sympathy—who make legislators of the glib and confident apostles of hatred. These latter are hardly "open to conviction," in the sense at least in which that word derives from the verb "to convince." It would be silly to appeal to confute them to what they would call a "musty decalogue," which they declare to have been forged by some priest of old, hired by capitalists to sanctify the thefts of ancient days. Law they denounce as the arbitrary fiction of a venal class of craftsmen who from time immemorial have plied for hire, and are now as they always have been "in the pay of the propertied classes"; ethics are obviously without sanction and meaningless, unless founded on some sort of religion; and these advanced gentlemen are apt to confound religion with dogma, and conceive of it as an emanation from theology; a body of doctrine for which they have "no sort of use." "Economics" in theory, they are prepared to recognize; even to the point of copying the terminology of the science. They propound their remedies in its name; but then it must be the special economics of Marx, which they deem the only genuine inspired source of the science, and of which they themselves are the only authorized exponents. So it is futile to pretend to reason with these philosophers. There is no conceivable common ground from which to start. But it is less hopeless to appeal to those on whose sympathies they rely for support; sympathies not entirely uninfluenced by a certain tinge of envy and class antagonism, but human and natural, and in the main benevolent.

For to them, were the thing made clear, it would become

evident that their own fate as well as that of the more miserable, for whom they are concerned, is bound up with the economic side of the civilization of the country. When they talk about "wealth" they are thinking of means—money, and those embodiments of it which are yearly reproducing themselves, from which is amassed the "capital" by hiring which their labour avails to produce. These means, they would see, have first to be secreted, as it were, and then applied to productive purpose. Both functions must be performed by those among the workers who have the faculty to secrete and to direct; by capitalists, adventurers, merchants, financiers, the people without whose co-operation their own efforts must be fruitless, and who claim and get as their reward a share of the resulting means which the other workers deem excessive, but who have to be paid to lend their aid, people whose skill and knowledge are as truly a necessary thing for the exercise of the industries by which the other workers live, as the machines which they tend and the tools which they take into their hands. If the share claimed by these fellow-workers of theirs is too great, it is fair to try and reduce it; but it cannot be diminished below the point of the incentive necessary to induce its co-operation.

For this is not the only country in the world. All things can be laid hands on by force if you like, machines and mills may be taken and exploited, the skill of other persons may be hired for superintendence and possibly for commerce, though this last is doubtful; but without a steady flood of Means to keep the mechanism a-going, no lasting industrial organization is so much as thinkable. These things of "fixed capital," as Adam Smith called it, are but momentary physical fragments of wealth, wearing out, and in process of consumption, not quite as quickly but quite as inevitably as the very raw material itself which is used up in production, or the coal or other source of brute power which they employ to turn that material into goods.

The vital element is Means, without the application of which mills and machinery and labour alike must prove infructuous and pass daily into decay; and Means, though they can be annihilated by destroying the confidence of which they are built up, cannot possibly be held captive; they fly inevitably and irresistibly to the land of the most secure and remunerative employment, there to crystallize into capital, and afford opportunity for the population of that country. There is danger,

therefore, in every step in the direction of collectivism or expropriation. In their own interest, therefore, one would wish that this danger should impress itself on the minds of the great majority of the "working classes," as those who work with their hands are apt to call themselves in distinction from their colleagues who work with their brains. It is they themselves who stand to lose the most by the threatened enfeeblement of the country's civilization, they whose "stake" in it, to use a common expression, is the greatest, for they and their fellows have nothing but its civilization to rely upon for their future continued existence. Above all classes they are the most dependent on the maintenance of law and order in the entire community, the efficiency and smooth working of the organization of its industry, and the protection of all alike who participate in its efforts; for they are those who cannot escape.

The welfare of this great class should be the main solicitude of the statesman; for obvious reasons its good will and approval is the main object of the solicitations of the politician. It is the most numerous class, and the most important: at its pleasure governments are made and unmade, legislation is approved or rejected, and the laws and institutions of the nation progressively adapted to the needs of each succeeding age. And on it in the ultimate result, lies heaviest the responsibility of the future; its own as well as that of the other less numerous classes whose welfare is bound up together with that of its members.

To them no less than the other collectivists the remarks above, as to the necessity for some "bribe" or "incentive" to be held out to Means to allow itself to be turned into Capital, and in that form to be devoted to production, become vitally important. And this consideration includes that of the need of an adequate inducement to those qualified by skilled energy to hire themselves out for the direction of industry, the enterprise of commerce, and above all, the specialized skilled manipulation of finance. But it is to the sympathies of the workers for the most unfortunate among their own brethren, that one appeals with greater confidence. No bribe is needed to induce the energy and the means of the man actuated by an honest altruism to continue to devote them to the service of his suffering fellow-men, to the service which is twice blessed.*

The orator of the street-corner recognizes in the altruist his

* See *ante*, p. 335.

chief enemy, reserves his choicest invective for this "quality of mercy," and heaps concentrated scorn on the idea of "your damned charity." Not without wisdom. For to the sturdy self-supporting men whom he strives (not without occasional temporary success) to guide, nothing is more odious than the idea of doles and gifts and gratuitous alms; things which for themselves they rightly repudiate with scorn. For "thrift," which is no less hostile to his claims than charity, the socialist demagogue himself has an equal abhorrence; for that tends to the accumulation of means in small proprietorships; than which there is nothing on earth which more induces in the proprietors a "conservative" preference for the existing order of things and a mistrust of revolution.

But thrift is a dangerous thing to attack in addressing audiences who are members of unions and friendly societies, whose savings lie in "building societies" and the other financial reservoirs of the "working class." It is in inveighing against *charity* that he feels most confident of carrying with him the sympathies of his hearers.

But with all their impatience of the patronizing benevolence of "charity," the "working class" will consent, if invited, to consider the case of those wretched ones who, as things are, find their only hope and help from what is annually poured into the manifold reservoirs of benevolence to be administered by the knowledge and care of the workers of mercy. You are told that when the "workman" comes to his own and things are equally divided, there will be no need for this "accursed charity," in whose name you yourselves are insulted by the offer of what you would not take at a gift. But pray, before accepting these vague assertions for true, reflect a moment. What proof is there of the adequacy of the result of this proposed redistribution? What figures have been given to show you how much Means the State, under the direction of your "socialist" representative and his fellows, will really be in a position to distribute, not to yourselves but to those in sore need, with whom you sympathize, when the philanthropist has withdrawn and the men of means no longer voluntarily pour forth their millions? How do your self-constituted advocates know what will happen when their Utopia realizes itself, and the panacea of collective ownership is put to the test? Are you prepared to act on the vague promises of declamation? What foundation is there for them? How do

they justify themselves by demonstrating the sufficiency of their remedy? Does it really prove anything after all that you are bidden to groan at the man who "lolls in his carriage and smokes his cigar"?

And there is another matter which is worthy of a moment's attention. The practice of those who advocate collectivism in one form or another is to picture to their hearers the hateful persons possessed of means exceeding their own as "vampires" incessantly sucking their life blood, deriving their advantages from the dishonest appropriation of that which their hearers are engaged in producing. How far is this really true in this Britain of to-day? Of the two thousand millions worth of annual opulence, or whatever the unascertainable sum total of it may be, which are so unequally divided among the people who live in this island and of which only a certain portion, possibly inadequate, can be traced into the pockets of that class which constitutes the great majority, what is the part that really levies its claim on what is produced by British industry, and what part derives entirely from investments in other countries of the world?* Foreigners, we know, hold little or nothing of claim on our industry, and but a negligible minimum of our State or municipal indebtedness, the "dividends" on which form a solid portion of what has in some shape to be provided yearly out of British labour. But how about the other side of the account, that in which the Means of people living here is invested abroad, the income from which comes here by their choice, is spent here, provides employment here, supplies benevolence and reaccumulates itself as fresh surplus Means available for reinvestment in its turn? Does any man know the real proportion this part bears to the entire aggregate, and what would be the result on the well-being of the country if a futile attempt were made to seize this incidentally as a part of the general plan of collective expropriation? Should not this problem be worked out quantitatively, before you consent to use your powers to bring about a general redistribution? Because if it turns out that in attempting to seize and appropriate the part which arises here of what you call riches, you lose the advantage that the whole community derives from this foreign-made part, it will be awkward for all of us.

For from this point of view, it will be seen that the community as a whole, and yourselves as the majority of it, will

* P. 238, note.

stand to lose and not to gain by embracing the programme of your friend the orator, at first sight so alluring. The change from a solvent to a bankrupt country takes place as soon as a sufficient fraction of the assets on the credit side disappears.

Therefore, before you make up your minds, ask for more authentic information about the respective proportions in which the body of riches owned by your fellow-countrymen consists of securities earning income abroad * which is brought here to be spent by the detested "capitalist" who lives here, as compared with what he gets from "all-British" industry. And when you have ascertained something true about this you will be better able to judge how far it will pay you to help frighten all these Means away.

Of course the ostensible purpose of the pseudo-socialist is the same as that of the single-minded collectivist; the abolition of private property in Land and Capital, and in particular the confiscation of the material requisites of production. In Chap. XVIII., *ante*, have been shortly summarized the economic arguments against the honest attempt to reorganize civilization on the new equitable and unselfish basis of the systematic redistribution of Means by confiscation. These arguments are applicable equally to that other and more disingenuous "collectivism" which is assumed as a cloak for individualistic acquisitiveness.

The mutual incompatibility of the standpoints of the "Socialistic" and the "Anarchistic," which logically exclude each other, does not operate to prevent the joining of their forces in the war which they wage in common against the existing organization of society. Even themselves do not appreciate the diversity of their real objects. For of all the deceptions to which mankind is subject, self-deception is that which imposes on the greatest number. And human motive is so mixed and illogical, that not only the privates in the army, but a great proportion of the officers would find it difficult to determine by self-analysis to which of the two regiments of the combined force they really belong. The opponent of both experiences a still greater difficulty in accurately discriminating between them.

* According to the Inland Revenue Returns, 1907, the total income from British investments abroad was £73,899,265, more than £7,800,000 in excess of last year, an increase unprecedented in one year; but this is a mere estimate, impossible to verify and probably far below the true figure, as can easily be shown. Even thi much indicates a "capital" employed out of the country to the amount of three thousand million pounds, increasing at a rapid rate.

But it is obvious that the theoretical and genuinely benevolent "collectivist" would be innocuous without the numerical backing of the people who, unconsciously it may be, are attracted to his doctrine by an individualist desire for greater possessions;—a motive not necessarily malevolent in itself, nor unpardonable nor even unnatural; but essentially unsocial, because directed to the destruction of the only sort of social system of which humanity has any sort of experience at all.

To the present writer this impulse therefore seems one to be condemned as tending to the disintegration and enfeeblement of civilization. The notion that some essentially different organization of society can be substituted, of which no one has ever had any experience, and on the plan and structure of which no two of its advocates are agreed, he refuses to entertain.

But to these vague conceptions of unrestful Utopianism the stern doctrine of the orthodox individualism affords no answer. Incapable of sympathy with the better aspirations of his opponents, the uncompromising individualist is powerless to confute the worse. In this respect it is that a quasi-socialist may be better competent to deal with these questions: the "Meliorist" who believes in the existing scheme of things, as susceptible of improvement. The conditions of existence seem to him not only capable, but visibly in the process of amelioration, and his aim is, without violent revolution of the organization of society, so to influence the purposes of men as to lead to efforts to make the world better to live in by systematizing altruism, and not by embracing a visionary collectivism. The sanest method is assuredly to discriminate between the attainable and the visionary, and endeavour practically and resolutely to make the best of "things as they are."

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